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San Francisco Bay Area

Housing Needs Determinations

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San Francisco Bay Area Housing Needs Determinations

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San Francisco Bay Area Housing Needs Determinations

Summary

Housing needs determinations for the Bay Area must, by law, be completed by July 1, 1989. ABAG's Executive Board made such determinations at the Board's September 1988 meeting. This started a 90-review period during which local governments could change their share of the regional need for housing under a process specified by law. The Executive Board took final action on the revisions at its January 1989 meeting.

Housing needs determinations for the San Francisco Bay Area are contained in this report, prepared by the ABAG staff to meet the requirements of State law. The following are highlights of the report:

- On January 1, 1988 the housing vacancy rate was 3.58% — slightly better than the 1980 rate of 3.4% but still below an acceptable level to promote mobility and provide choices for those seeking affordable housing.
- A regional vacancy goal of 4.5% is set, and the *existing housing need*, associated with this goal, is about 20,100 units above that produced between 1981 and 1988. This represents an unmet demand for affordable housing throughout Bay Area jurisdictions.
- The Bay Area is expected to have 2.4 million households by 1995. The region needs to add another 210,000 housing units between 1988 and 1995 to accommodate the expected growth.
- Also needed are about 9,000 units associated with a market vacancy rate for new households.
- Roughly one third of the region's local governments (38 out of 106) are also called upon to alter existing housing policies to encourage production needed to house workers for jobs being planned in those communities. A regional goal is suggested to house up to 50% of the difference between the growth in Bay Area jobs and the growth in the region's labor supply.
- To reduce jobs-housing imbalances in the region, 45,700 units are needed in the 38 communities — 17 of which are called upon to house 50% of the difference between the growth in local jobs and the growth in the local labor supply.

- The other 21 jurisdictions were in the past better defined as “bedroom” communities providing job center communities with a needed labor supply. But today these communities too must provide more housing for the needed labor supply to fill jobs being planned. Otherwise, the Bay Area’s local governments will be imposing a larger burden of their housing needs on non-Bay Area communities for the job levels they are planning.

- The total *projected housing need* for the Bay Area is 283,700 units.

- Each city’s and each county’s share of the regional housing need is distributed by four income categories, as required by State law. This distribution seeks to avoid further “impaction” of communities with relatively high concentrations of lower-income households. Each community in the Bay Area is expected to plan for a more equitable distribution of housing opportunities — more like the region as a whole — for households of all income levels.

San Francisco Bay Area Housing Needs Determinations

1. Introduction

State legislation enacted in 1980 (Chapter 1143, Statutes of 1980; AB 2853) requires the Association of Bay Area Governments and other councils of governments in California to determine the existing and projected regional housing needs for persons at all income levels. ABAG is also required by the law to determine each city's and each county's share of the regional need for housing.

Each council of governments shall determine the existing and projected housing need for its region.

The local shares of regional housing needs are to be considered in the process of updating the housing elements of local general plans. State law requires that all local housing elements in the Bay Area be revised to conform to the provisions of law by July 1, 1990. To enable local governments ample time to incorporate new determinations of local shares of the regional housing need, ABAG will make its determinations in 1988–89 based on the following schedule:

Each locality's share of the regional housing need shall also be determined by the COG.

- Initial determination of regional housing need — September 15
- 90-day review period ended — December 13
- Final action on local government revisions by ABAG Executive Board — January 19

— Government Code Section 65584 (a)

This report responds to the requirements of AB 2853 for the nine-county Bay Area. It describes a methodology to estimate existing and projected housing need, which is consistent with the specific statutory requirements. Chapter 2 of the report describes the methods for calculating regional housing need and shows how the specific statutory factors are considered. It estimates the existing and projected need for the region in accordance with law, and determines cities' shares of those needs. Shares of the regional housing needs are also determined for each

unincorporated area in the nine counties. The chapter also reflects Executive Board action on the local government revisions.

A city or county may revise its share of the regional housing need based on available data and accepted planning methods.

State law provides a 90-day period for county boards of supervisors and city councils to consider the determinations of local shares of the regional housing needs contained in this report. A jurisdiction's share of the regional housing need may be revised by the affected city or county, using accepted planning methods and available data. ABAG is required by subsection (c) of Section 65584 of the Government Code to accept each revision or "indicate, based on available data and accepted planning methodology, why the revision is inconsistent with the regional housing need." ABAG's acceptance or rejection of a local government's revision is to take place within 60 days of the revision. The revision process is more fully described in Chapter 3.

The COG must either accept the revision, or reject it if inconsistent with regional housing needs.

In September 1988 the Executive Board approved housing needs determinations, beginning the required 90-day review period. During the review period, ABAG staff members were available to consult with member governments, and assist in determining whether revisions are appropriate. Where a revision was based on available data and accepted planning methodology, the staff recommended acceptance by the Executive Board. Appendix B contains a model resolution provided for local governments to use in adopting revisions.

**— Government Code
Section 65584 (c)**

Appendix F contains a memorandum from ABAG staff recommending final actions on local government revisions. Except for revisions proposed by the cities of Dublin and Newark, and by Sonoma County, the staff recommendations were adopted unanimously by the Executive Board on January 19, 1989. One vote was cast in favor of the Dublin revision. Newark's revision was rejected by a 13-10 vote; Sonoma County's by a 16-9 vote ("yes" votes were to adopt the staff recommendation).

San Francisco Bay Area Housing Needs Determinations

2. Housing Needs Determinations

This chapter contains the determinations required of ABAG by provisions of State law. It also summarizes the methods used to estimate regional housing needs for the San Francisco Bay Area, and shares of those needs for the nine counties and the 97 cities.

The report presents the **existing need** for 1988 for housing in the Bay Area, and each community's share of that need. It also shows the **projected need** for the seven-year period from 1988 to 1995. Bay Area local government housing elements must be revised by July 1, 1990, and State law requires that they cover a five-year period with specific programs designed to address the identified housing need. Therefore, the projected need is calculated for two time periods: 1988–90 and 1990–95. As required by law, the projected need is allocated to each city and county (for the unincorporated areas) in the region, and is also allocated by four income categories: very low, low, moderate and above moderate.

The methods used in this report are generally consistent with those used by ABAG to determine housing needs under AB 2853 in 1981–82 and in 1983 [see ABAG's *Housing Needs Report*, December, 1981, and its report *Housing Needs Determinations*, December, 1983]. They are not exactly the same, however.

The 1981–82 report used complicated formulas to compensate for outdated information (which tends to be less reliable) and because of the unavailability of the full 1980 Census data. The 1983 report was based on ABAG's *Projections 83* and 1980 Census data not available for the 1981–82 process. The 1983 report, therefore, used less complicated formulas for the calculations. *For this report, the formulas are adjusted where necessary to account for a differing base year and projection period.* In addition, interpretation of the requirements of state law has changed. The projected

Existing need is calculated for 1988, and projected need for the 1988–95 period.

Methods used to calculate housing need are generally those used in previous ABAG housing need determinations.

need also incorporates adjustments to account for the new interpretations. The formulas and data sources are summarized in this chapter, and are fully described in the technical materials of Appendix A.

The tables in this chapter include the housing needs determinations. Preceding each table is a description explaining how to interpret the numbers. The chapter also presents summary information of changes in the Bay Area's housing situation since 1980, and of changes in State law relating to the housing needs determinations process. This provides the context for the approaches ABAG staff used to prepare this report.

State law prescribes the general process for determining regional housing needs — but not the methods.

Statutory Requirements

Although State law does not precisely define regional housing need, the basic ingredients of the regional housing needs determination process may be inferred from the provisions of Section 65584 of Article 10.6 of the Government Code. First, this section provides that:

...a locality's share of the regional housing need includes that share of the housing need of persons at all income levels within the area significantly affected by the jurisdiction's general plan.

This is interpreted to mean that ABAG is to calculate the existing housing need for each city as it is geographically determined (that is, with its existing boundaries) on the initial date of the forecast period.

Housing needs determinations are based on statutory factors set forth in Government Code Section 65584.

The **existing need** is determined as of January 1, 1988. The **projected need** is determined for a later point in time (through April 1, 1995), when the boundaries of a city may have changed. In this case, the projected need is calculated for the sphere-of-influence or urban-service-area territory for each city consistent with boundaries used in ABAG's *Projections 87*.

ABAG's determination of the existing and projected regional need for housing, and the local shares of such need, must also meet the requirements of State law.

This means ABAG must take into account six factors specified in subsection (a) of Government Code Section 65584:

- *Market demand for housing*
- *Employment opportunities*
- *Availability of suitable sites and public facilities*
- *Commuting patterns*
- *Type and tenure of housing*
- *Housing needs of farmworkers.*

ABAG forecasts there will be more than 2.4 million households in the region by 1995. At least 210,000 more housing units will be needed just for new households.

The Government Code also requires that the distribution of regional housing needs “...seek to avoid further impaction of localities with relatively high proportions of lower income households.”

Once ABAG has completed the determination of regional housing needs, the Department of Housing and Community Development may revise this determination to obtain “consistency” with the statewide housing need. The section **Potential Revisions by HCD** at the conclusion of this chapter discusses whether such a revision is likely.

Local governments rely on sustained economic activity. Development of more housing is essential to the region’s economic and social future.

Market Demand for Housing — ABAG has not prepared detailed housing market analyses for the region. However, *Projections 87* contains extensive information about the demand for housing. The realized demand for housing is a function of the growth in households projected for the region. It can also be ascertained from housing value trends and income/affordability analysis. These factors influence the estimates of housing supply needed—as well as the potential to realize housing demand in the form of incomes sufficient to cover the costs of shelter. For purposes of this report, market demand is defined by the formulas used to produce estimates of the vacancy needed (and therefore housing units needed) to accommodate the present and forecast population levels (see section on **Existing Housing Need**).

The Bay Area's local governments should not count on adjacent counties to supply the region with the bulk of its new workers.

Viewed in aggregate, current local government development policies will not house the labor supply needed for jobs currently being planned for the region.

Employment Opportunities — ABAG's determination of the distribution of regional housing needs is required by law to consider employment opportunities. ABAG's *Projections 87* formally considers the interaction of population, employment and household forecasts. Projected household growth is consistent with the projections report. However, the projections report also raises the question whether — in aggregate — local government policies or actions that encourage job growth and minimize housing production conflict with the need to generate a labor supply. It is already apparent that the growth in jobs is outstripping the growth in the labor supply.

More housing will be necessary if there is to be a labor supply sufficient to sustain a healthy economy in the region. The distribution of regional housing needs based on the projected household growth partially reflects the demand for employment opportunities in the region through the 1990s. However, it is not sufficient to plan only for the household growth in *Projections 87*. ABAG's projections imply substantially more workers will be needed to sustain the future economic growth than will be available under existing housing policies.

If the economy is to expand at a moderate pace, a major fraction of the labor supply will need to come from non-Bay Area counties throughout the projection period (through 2005). But this report calls for Bay Area local governments to address a higher level of household growth consistent with the need for an adequate labor supply to meet the job expectations of their local economies. This in turn will reduce — but not eliminate — the pressures for housing development outside the region. This interpretation is consistent with the requirement of State law that local governments "cooperate" with each other and with the State in addressing housing needs. It is also consistent with California Attorney General's Opinion 87-206, which calls for councils of governments to consider local government zoning to accommodate a higher level of residential development than existing local policies (see discussion following).

Availability of Suitable Sites and Public Facilities

— Similar to changes in employment opportunities, ABAG's projections take into account availability of land for residential purposes. Based on a review of local plans and other available planning studies, suitable sites and facilities are available in the region to accommodate the household growth shown in *Projections 87* through 1995. Where such sites and facilities may not be available, ABAG's projections already take these constraints generally into account. Infrastructure constraints (e.g., planned but not completed expansion of water and sewerage services) affect the timing of household growth (generally postponing it into a later five-year period in the projections).

State housing law has as its "primary purpose" expanding the housing opportunities for Californians of all economic levels.

"Allowing a city or county to prevent being allocated a share of the regional housing needs through restrictive zoning ordinances would be contrary to the manifest intent of the Legislature."

Specifically, *Projections 87* assumes direct use of local policy survey data (data regularly collected from local governments about policies, plans and regulations affecting development) for the period 1980–95. In several communities, however, the potential housing supply as determined by local policies is insufficient to accommodate projected household growth in the 1995–2005 period.

In addition, in September, 1987, the California Attorney General's office issued Opinion 87–206, which in part addressed whether councils of governments such as ABAG should (as part of the consideration of regional housing need) consider only the existing zoning of local governments for residential development. The opinion (included in this report as Appendix D) concluded:

...The availability of suitable housing sites must be considered based not only upon the existing zoning ordinances and land use restrictions of the locality but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions [emphasis added].

**– California Attorney
General's Opinion
87–206**

The opinion further concluded:

We find no indication in section 65584 that current zoning ordinances and land use restrictions are to limit the “availability of suitable sites.” A housing site would be unsuitable based on its physical characteristics, not because of some governmental control of an artificial and external nature. The planning process...contemplates an identification of adequate sites that could be made available through different policies and development standards.

This report contemplates a higher level of residential development for the 1988–95 period than that shown in ABAG’s household projections.

Communities adding jobs faster than housing should plan for higher levels of housing to accommodate the labor supply associated with planned jobs.

State law requires that the determination of regional housing need be based on, among other things, “available data.” So, in preparing this report, ABAG staff has chosen to use available data on employment growth and labor supply, and to associate additional needs for residential development with differences in growth of jobs and employed residents. There is no indication that the State intended that COGs develop alternative zoning ordinances and other local government development regulations for individual communities, and then prepare household forecasts based on such alternative policies. This report, however, adequately addresses the need to consider the potential for a higher level of residential development than contemplated by existing local development policies. The subsection on *Alternative Zoning Regulations* in the section entitled **Projected Housing Need** discusses this issue in greater detail.

Commuting Patterns — Assumptions about the regional transportation system and associated measures of transportation accessibility are key features of ABAG’s projections. The projections process explicitly allocates households and employment considering such factors as commuting flows by mode (automobile and transit) and assumptions about residential and employment choices. These interactions are described fully in ABAG reports on the Projective Optimization Land Use Information System (POLIS) model and in ABAG’s *Projections 87*.

The projections assume a single improved and integrated regional transit and highway system will be operational by 1995; probable additions and changes to facilities and services existing in 1985 reflect assumptions by the staff of the Metropolitan Transportation Commission (MTC). A key assumption is that programs to improve the efficiency of the existing system and plans requiring limited capital expenditures are more likely to be realized than extensive system expansions. MTC's 10-year development plan also does not include every anticipated transportation improvement — such as safety improvements or minor arterials.

As part of the projections and modeling process, highway and transit assumptions are translated into estimates of peak period service levels by transportation facility type. These level of service estimates are in turn translated into estimates of travel time from location to location. Such measures of accessibility become key factors in the allocation of housing compared to job locations.

In general, the effect of “commuting patterns” on the determination of regional housing needs is best measured by differences between job creation and the availability of labor supply (in households). The projected need includes provisions for accommodating a greater number of households in the region than the level of households projected for the region in *Projections 87* for the period 1988–1995. In part, the projected need is based upon the need to reduce inflationary housing market costs, provide an adequate labor supply to sustain the Bay Area's economy, and reduce the growth in long-distance commuting that affects air quality and other environmental resources.

Type and Tenure of Housing — ABAG, in making its determinations of regional housing needs, is required to consider type of housing (i.e., single- and multiple-family and mobile homes) and tenure of housing (i.e., owner and renter).

Single-family housing units represent the largest proportion of the housing stock in every Bay Area county except San Francisco.

In 1980, about 44% of the region's households were renters. Tax return data suggests there has been little change for the region as a whole since then.

Type of Housing — Data used in this consideration was derived from the Federal Census of 1980. In preparing its housing needs determinations in 1983, ABAG's initial determinations included tables showing the distribution of projected housing need by type, assuming that the relative distribution of housing would be approximately that of the 1980 Census distribution. The intent of including these tables was to suggest that local governments examine the relative change in housing type between 1970 and 1980 to determine if different percentages should be used in local housing elements.

Because including these tables in the last report seemed to imply that ABAG was "requiring" that the projected housing need be distributed according to the 1980 distribution, the Executive Board directed in its final actions on the 1983 housing needs determinations report to delete these tables to avoid this misinterpretation. Housing types must be addressed in each local government housing element. The regional housing needs determinations do not insist that the existing distribution of housing by type be maintained; it would be inappropriate to do so. The ABAG staff believes it more important to ensure that vacancy rates specifically reflect tenure considerations and not housing units by type (see discussion below).

Consideration of housing types is essential, however, in addressing how the distribution of housing need by income category will be achieved in individual communities, and should be addressed in local housing elements.

Tenure of Housing — In determining the existing and projected need for housing, ABAG staff used the 1980 percentages of owner and rental housing by jurisdiction for each county in the region and its cities. The proportions of owners and renters are used specifically in the formulas to calculate the needed vacancy rates and thus the existing and projected housing need. ABAG considers housing tenure explicitly in the calculations that lead to its determinations of housing need. The ABAG staff does

not, however, propose that the Executive Board adopt a regional determination of housing need by tenure.

It is desirable as a general policy that the availability of rental housing should not decline in the region. The projected need could be distributed to at least maintain the percentage of rental stock in each community that existed in 1980. Inclusion of tables to show the projected housing need by tenure in this report might imply that ABAG is “requiring” that the projected housing need be distributed according to the 1980 distribution of rental and owner housing. Since this would be an incorrect interpretation, the ABAG staff proposes that the Executive Board’s determinations not include such tables. This action would be consistent with the final determination of regional housing need in 1983.

Formulas to determine existing housing need explicitly use tenure in determining the needed vacancy rates in each community.

Local government housing elements are required to specifically address housing tenure. Census data on tenure has previously been made available to cities and counties by ABAG.

Housing Needs of Farmworkers — Later in this chapter, an analysis of farmworker housing need is made. The general conclusion of this analysis is that there is no *regional* need for additional farmworker housing in the Bay Area. Any localized needs for seasonal farmworker housing should be addressed in individual housing elements of cities and counties.

Housing Problems in the Bay Area

The San Francisco Bay Area is the country’s fourth most populous metropolitan area. As a large metropolitan region, it has wide disparities in housing condition, housing values and household incomes. The development of an adequate supply of affordable housing continues to be one of the most intractable problems facing the Bay Area.

The policy issue facing the region is not one of encouraging or discouraging growth. Public policy must be reality-based. Local government directives or actions that encourage job production and minimize housing production (whether because of voter initiatives, land constraints, or the economics of providing public services) are creating an environment that could seriously affect the overall regional economy and, in the long-term, their own financial health. If local governments seek not to produce or accommodate housing, then they also need to reduce the development potential for job growth. Failure to plan carefully for growth in jobs without simultaneously planning for growth in housing can only mean a seriously handicapped economy, urban sprawl and environmental degradation.

A vacancy goal for the region is set at 4.5% compared to the 1988 vacancy of 3.58%.

Vacancy Rates — In 1975 about 4.7% of the region's housing supply was vacant. As the region's population increased between 1975 and 1980, only 9 housing units were added for every 10 new households seeking shelter. When the 1980 Census was taken, the region's vacancy rate had declined to 3.4%. The methodology in this report attempts to provide the region with a higher vacancy rate (a goal of 4.5% is set for the region).

The 1983 ABAG housing needs determinations found the existing need for the Bay Area to be 31,602 housing units. Had this number of units been available in the Bay Area, prices and rents would have increased more in line with changes in household incomes between 1970 and 1980. Those seeking housing in the region would have had a similar range of choices in numbers and price ranges of units available in 1980 as in 1970. Vacancy rates under these conditions would have ranged from 3.6% in Contra Costa County to 4.9% in Napa County. Actual vacancy rates were considerably lower, ranging from 1.5% in Napa County to 3.3% in San Francisco.

ABAG also determined the projected housing needs for each jurisdiction in the region for the decade 1980 to 1990. The projected housing need for the region based on *Projections 83* and the vacancy rates

Put simply, production levels of the past few years will not provide enough housing to meet future needs. More aggressive actions will be needed.

mentioned above was 313,787 additional housing units to be built between 1980 and 1990. Of these, only 267,353 units have been built.

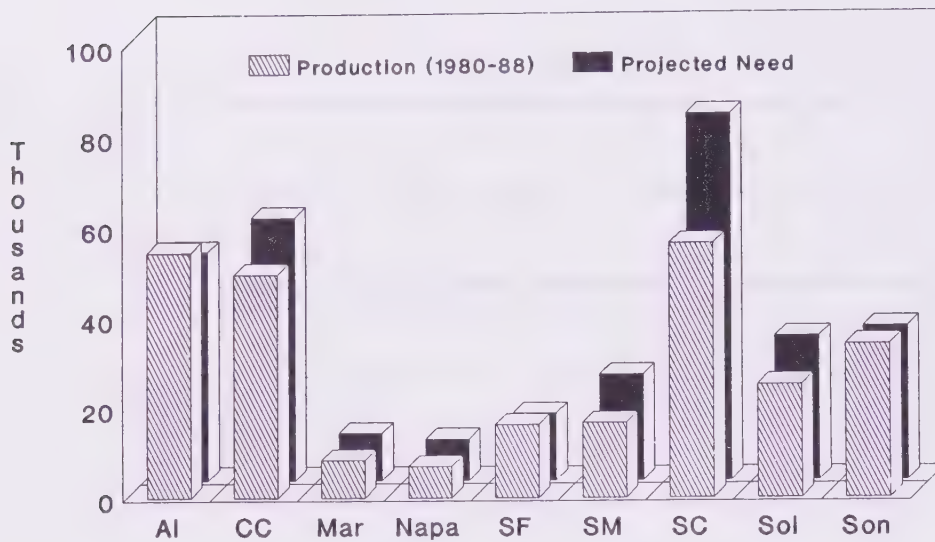
Table 1 and Figure 1 compare the projected need for each county with the housing units built there since 1980. Only two of the nine counties — Alameda and San Francisco — have built more units than the housing needs projected in December 1983. While two years remain in the decade, production levels are probably insufficient to achieve the housing needs determinations made in 1983.

As of January 1, 1988, the Bay Area had 2,289,374 housing units, and 2,207,458 households, according to estimates made by the California Department of Finance (DOF). This means a regional vacancy rate of 3.58%, only slightly higher than the 1980 level and well below the 1975 level. Despite new housing construction, the Bay Area's housing stock is still inadequate.

Housing Types — DOF data also show differences in the housing stock by type. DOF data permit changes in housing by type to be measured between 1983 and 1988. In 1988 all nine counties of the region have a smaller proportion of single-family homes than they had in 1983. Still, single-family homes account for the largest proportion of the housing stock in all counties except San Francisco, which also has a significantly greater share of renters than owners. Housing units by type for 1983 and 1988 are summarized by county in Tables 2 and 3.

Trends in Housing Value and Incomes — There is a direct relationship between a constrained supply and the problem of affordable housing. Figure 2 shows the changes in the Bay Area's Consumer Price Index (used roughly to illustrate income) and the median value of housing over the same time period calculated by the Real Estate Research Council of Northern California. When housing values rise faster than the cost of other goods and services and incomes, it becomes more and more difficult for young families and individuals entering the work force to find

Figure 1. Housing Units Added Compared to Regional Need



Sources: ABAG, California Department of Finance

TABLE 1 1980-88 PRODUCTION OF HOUSING UNITS COMPARED TO NEED

<u>COUNTY</u>	<u>PROJECTED NEED*</u>	<u>PRODUCTION</u>
ALAMEDA	50,814	54,458
CONTRA COSTA	58,217	49,517
MARIN	10,518	8,348
NAPA	9,198	6,970
SAN FRANCISCO	14,833	16,158
SAN MATEO	23,499	16,628
SANTA CLARA	80,756	56,221
SOLANO	31,932	25,048
SONOMA	34,020	34,005
TOTAL	313,787	267,353

* Based on December 1983 *Housing Needs Report* consistent with *Projections 83*. Later ABAG projections show higher levels of household growth, hence the need would be higher.

TABLE 2
SUMMARY OF 1983 HOUSING BY TYPE

<u>COUNTY</u>	<u>SINGLE FAMILY DWELLINGS</u>	<u>% OF TOTAL</u>	<u>MULTIPLE FAMILY DWELLINGS</u>	<u>% OF TOTAL</u>	<u>MOBILE HOMES</u>	<u>% OF TOTAL</u>
ALAMEDA	272,933	59.8	177,778	38.9	5,821	1.3
CONTRA COSTA	194,428	73.7	63,402	24.0	6,058	2.3
MARIN	63,881	67.6	29,007	30.7	1,579	1.7
NAPA	29,143	70.9	7,692	18.7	4,283	10.4
SAN FRANCISCO	111,326	34.9	207,508	65.0	243	0.1
SAN MATEO	153,703	64.9	80,437	33.9	2,804	1.2
SANTA CLARA	316,820	65.1	152,917	31.4	17,218	3.5
SOLANO	65,643	73.1	20,555	22.9	3,608	4.0
SONOMA	94,597	73.5	25,454	19.8	8,739	6.7
REGION	1,302,474	61.5	764,750	36.1	50,353	2.4

TABLE 3
SUMMARY OF 1988 HOUSING BY TYPE

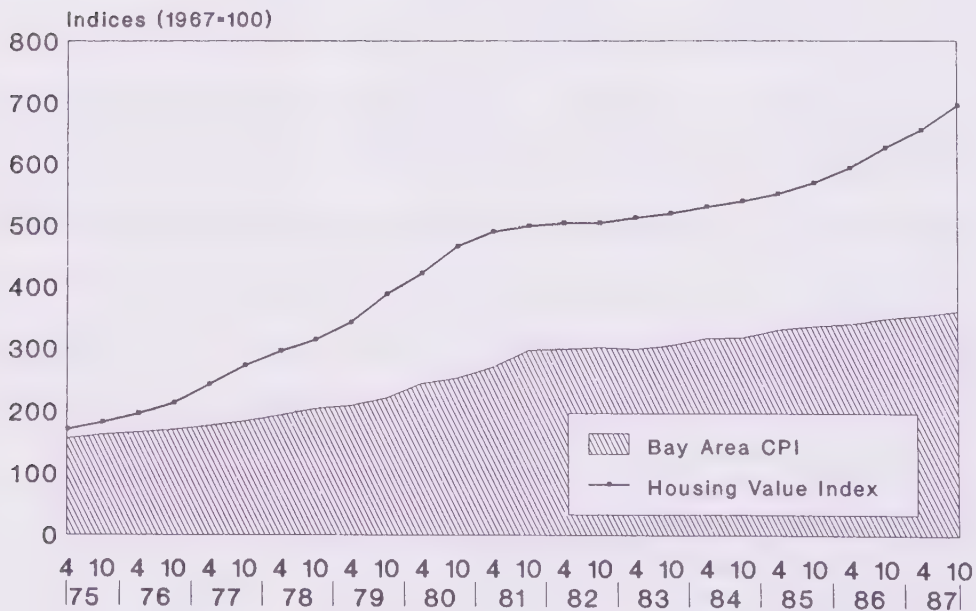
<u>COUNTY</u>	<u>SINGLE FAMILY DWELLINGS</u>	<u>% OF TOTAL</u>	<u>MULTIPLE FAMILY DWELLINGS</u>	<u>% OF TOTAL</u>	<u>MOBILE HOMES</u>	<u>% OF TOTAL</u>
ALAMEDA	291,228	59.2	195,258	39.7	5,785	1.1
CONTRA COSTA	217,232	72.9	74,384	25.0	6,184	2.1
MARIN	66,117	66.9	30,951	31.3	1,690	1.8
NAPA	30,702	69.5	8,875	20.1	4,585	10.4
SAN FRANCISCO	111,759	34.3	213,365	65.6	243	0.1
SAN MATEO	158,356	64.1	85,769	34.7	2,885	1.2
SANTA CLARA	333,113	63.5	174,660	33.3	16,932	3.2
SOLANO	76,556	71.0	27,590	25.6	3,745	3.4
SONOMA	108,675	71.8	32,993	21.8	9,742	6.4
REGION	1,393,738	60.9	843,845	36.9	51,791	2.2

SOURCE: DOF

housing, particularly near their jobs. If these trends continue, the greater the likelihood the Bay Area will suffer more serious economic setbacks than those of the past.

✓ Inflationary trends in housing costs translate into higher labor costs and affect the production and distribution of jobs. It affects incomes and the competitiveness of industries. It affects environmental quality because it means longer commutes for workers seeking more affordable housing. These combined factors will affect the economic health of the region by adversely affecting the ability of the economy to sustain job growth for all types of occupations.

**Figure 2. Home Values Outpace Inflation
1975 to 1987**



Sources: Bureau of Labor Statistics; Real Estate Research Council of Northern California

About one-third of the region's lower-income homeowners overpay for homes.

More than two-thirds of the lower-income renters overpay for shelter.

Overpaying — According to State law, a lower-income household that pays more than 25% of its income for housing is living in unaffordable housing. The household is “overpaying” for housing. California’s definition of “overpaying” is more sensitive to questions of affordability than the federal government’s. The federal threshold to measure overpaying is 30%. Customarily, household incomes are divided into four categories: very low-, low-, moderate-, and above moderate-income. Each category corresponds to a proportion of the region’s household income distribution. The lower-income distinction includes both the very low- and low-income categories, and represents households with incomes up to 80% of the regional median household income.

The 1980 Census reported a regional median household income of \$20,607, so lower-income households were those with an income of \$16,486 or less. As part of the analysis of existing housing needs, it is useful to highlight the proportions of lower-income renter households and owner households that overpay for housing.

Table 4 describes the proportions of renter and owner households overpaying for housing by county. About 70% of lower-income renter households overpay for housing in the region; about 32% of lower-income owner households overpay. Tables C–1 through C–8 in Appendix C show the results of the determinations of proportions of households overpaying for housing in each jurisdiction.

These figures are not used in ABAG’s calculations of housing need, but they clearly indicate the extent to which a large number of existing households in the Bay Area pay more of their incomes for shelter. To the extent that more housing can be built in the region beyond the level associated with accommodating new households, it will dampen the upward pressure in rents and housing prices faced by most households in the region.

TABLE 4
LOWER-INCOME HOUSEHOLDS OVERPAYING FOR HOUSING

<u>COUNTY</u>	<u># OF LOWER INCOME HOUSEHOLDS OWNING</u>	<u># OF LOWER INCOME HOUSEHOLDS RENTING</u>	<u># OF LOWER INCOME HH OVERPAYING (OWNERS)</u>	<u># OF LOWER INCOME HH OVERPAYING (RENTERS)</u>	<u>LOWER INCOME OWNERS OVERPAYING</u>	<u>LOWER INCOME RENTERS OVERPAYING</u>
ALAMEDA	105,585	127,971	22,282	89,063	21 %	70 %
CONTRA COSTA	34,621	45,238	14,181	31,710	41 %	70 %
MARIN	9,575	18,119	4,159	13,575	43 %	75 %
NAPA	6,690	8,020	2,233	5,385	33 %	67 %
SAN FRANCISCO	32,252	122,865	9,609	85,004	30 %	69 %
SAN MATEO	26,868	45,430	11,259	34,879	42 %	77 %
SANTA CLARA	46,505	88,780	19,506	60,709	42 %	68 %
SOLANO	13,221	19,815	5,500	11,968	42 %	60 %
SONOMA	23,273	27,135	8,111	18,852	35 %	69 %
REGION	298,590	503,373	96,840	351,145	32 %	70 %

Source: 1980 Census; ABAG

***Serious problems of housing
affordability continue to affect large
numbers of Bay Area households.***

Changes in State Law Since the 1983 Determinations

Since ABAG's last determinations, State law affecting regional housing needs has changed in several respects. First, the determinations of regional housing need, and individual communities' shares of such need, are no longer subject to provisions of the California Environmental Quality Act.

State law now specifically forbids a council of governments from considering in its determinations a local government ordinance that restricts the number of residential building permits that may be issued annually. A local government is not allowed to use such an ordinance as a justification for reducing its share of the regional housing need. This prohibition was established by enactment of Chapter 1684 of the Statutes of 1984.

California's housing element law was reviewed by the courts in Buena Vista Gardens Apartments Association v. City of San Diego Planning Department [175 Cal. App. 3d 289, 1985]. In this case, the court found that the housing element law requires local jurisdictions to conform to mandatory requirements of the statute. The "substantial compliance" standard enunciated by the courts in Bownds v. City of Glendale [113 Cal. App. 3d 875, 1980] no longer applies to scrutiny of the housing element. Instead, the courts will now examine whether local jurisdictions' housing elements are in "actual compliance" with the requirements of State law.

Finally, California's Attorney General's office, in an opinion described earlier in this chapter, has interpreted the regional housing needs determinations process. ABAG's previous housing needs determinations conformed to the requirements enunciated by the opinion, except in one respect. Previous determinations did not examine the potential for higher levels of residential development than contemplated by then-current zoning ordinances of cities and counties in the region. This requirement is

addressed separately as part of the process of calculating the projected need for housing (see below).

Housing Needs Determinations

ABAG staff in 1981 designed a methodology for calculating the **existing** and **projected** housing need as required by State law. The State's housing element law does not specify accepted planning methods for calculating regional housing needs. Until 1988, little guidance has been available from the State Department of Housing and Community Development.

The methodology used by ABAG to calculate regional housing need relies on available information. The formulas specifically address the requirements of Section 65584 of the Government Code. Changes in vacancy rates and in housing values and rents are used as indicators of market demand. Household projections are based on consideration of employment opportunities, commuting patterns, and the availability of sites for development in the region. Tenure (owner and renter proportions) is used in the formulas.

A full description of the methodology for calculating housing need is contained in Appendix A. The basic approach is summarized below:

- 1) **Available housing** — The amount of housing in a jurisdiction available for permanent, year-round occupancy is defined as "available." The formulas measure change in the available housing stock in each jurisdiction from 1981 to 1988.
- 2) **Housing costs to income ratios** — Rates of increase in median housing values and median rents are compared to increases in incomes.
- 3) **Vacancy** — A housing market needs to have enough vacant housing units at a point in time (in this case January 1) to provide a range of choices in numbers and price ranges for those seeking shelter in the area. The actual vacancy rate is calculated for each jurisdiction.

4) **Regional vacancy goal** — A goal of 4.5% is used for the housing need calculations.

5) **Optimal vacancy rate** — Each jurisdiction's available vacancy rate is adjusted using the calculations summarized by 1) and 2). The rate is designed to move the supply of housing toward equilibrium with demand.

6) **Existing housing need** — The difference (expressed in housing units) is shown between the number of units actually available in the jurisdiction and the number that "should" have been available, calculated from the "optimal" vacancy rate. If the 1988 available stock were increased by the existing need, the market would have been nearer to a balance between housing supply and demand. A balanced housing market depresses inflationary pressures that reduce housing affordability.

Existing Housing Need

The "existing need" for the region (calculated from changes occurring between 1981 and 1988) totals 20,958 units. If that number had been added to the supply of 2,289,374 units in the Bay Area in 1988, the regional vacancy rate would have been 4.5% rather than the 3.58% calculated from Department of Finance data.

Each Bay Area local government should include a statement of its existing need in the local housing elements, when revised according to the schedule established in State law (by July 1, 1990).

Projected Housing Need

Projected housing need means the number of units needed to accommodate the growth in households for the jurisdiction's planning area (as reflected in ABAG's projections). This number also includes the number of units calculated as the "existing need," and, where applicable, the number of additional housing units to accommodate a greater share of the local labor supply than expected under the current ABAG projections.

Household Growth

The Department of Finance estimates that there were 2,207,458 households in the region on January 1, 1988. Between 1988 and 1995, ABAG forecasts a growth of 210,381 households in the Bay Area. To accommodate household growth forecast by *Projections 87*, 240,175 housing units will need to be built. This figure includes the existing need of 20,132 units — considered an unmet demand for more affordable housing at a time when households were not formed because of housing costs, and measured by low vacancy rates. It also includes 8,836 units needed to provide a greater proportion of vacant units in the region, and hence more choices in the overall housing market, where current vacancy rates are too low to promote mobility and greater affordability.

Alternative Zoning Regulations

Another component of the projected housing need is associated with the potential in the region for “increased” residential development under alternative zoning ordinances and land use restrictions. As interpreted by the California Attorney General’s office, ABAG is required to consider the potential need for residential development under local government policies (e.g., zoning ordinances or other land use restrictions) that *differ* from those currently in place. It is the opinion of the Attorney General’s office that:

The required consideration and evaluation of zoning changes necessary to meet the identified needs of the community would be precluded by allowing existing zoning limitations to define what housing sites are “suitable.”

Local governments are to consider the removal of governmental constraints to the production of housing (presumably to meet housing needs identified for the community) as part of the process of updating their local housing elements.

Therefore, in preparing this report, ABAG staff has considered the potential for producing higher levels of

residential development than that projected during the 1988-95 time period. *Projections 87* clearly states that levels of housing production above those contemplated by local government policies will be needed to sustain the regional economy.

Between 1985 and 2005, the Bay Area is expected to add more than 1 million new jobs. But the labor supply associated with housing production and household growth is only slightly more than 850,000. Even with more individuals working in the labor force, nearly 163,000 workers or 117,000 households will have to commute into the Bay Area due to Bay Area housing constraints and Bay Area job opportunities, unless current trends for the region are changed.

For this report, ABAG staff has defined the projected need associated with the requirement that ABAG consider “alternative zoning.” This definition is a regional goal:

To expand the supply of Bay Area housing in those communities adding substantially more jobs than accommodating the housing needs for the workers. A regional need exists for such communities to house up to 50% of the difference between the growth in local jobs and the growth in the local labor supply.

Thirty-eight of the region’s 106 jurisdictions are planning to have substantially more jobs (greater than 500) between 1988 and 1995 than workers will be housed there. Additional jobs are understandably sought as a direct response to the fiscal effects of Proposition 13 and other tax measures constraining local government resources. Not to plan for additional housing needed for the required labor supply, however, while seeking new jobs, will, among other things, adversely affect the operation of the region’s transportation system. It will also worsen the housing situation in the Bay Area, and over the long term will affect the regional and localized economies.

Some local jurisdictions are adding jobs because they have historically been “bedroom” communities

housing people who work elsewhere nearby. Many of these communities are responding to the need to improve their fiscal condition and to provide revenues to provide services desired by their residents. The methodology used in the report still contemplates a higher projected housing need for these 21 jurisdictions, but is reduced to compensate for local actions to overcome the historic imbalance between employed residents and jobs.

The region needs to add 45,700 housing units to reduce the growing imbalance between job growth potential and labor supply growth. *This additional housing need is shown in Tables 5–12 under the heading “Alternative Zoning Projected Need.” This heading does not mean that, in every single case, existing zoning ordinances must be modified to accommodate the projected need. It does imply a higher level of residential development than contemplated in ABAG’s projections for the 1988–95 period.* In some cases, a higher level of residential development could be accommodated merely by altering the timing of when infrastructure would be provided to land designated for development. In other cases, it might mean identifying specific in-fill development sites, or by designing programs to better identify housing stock additions (e.g., uncounted second-units). In still others, the need associated with “alternative zoning” could be accommodated with no change in local government policy but with different strategies of encouraging needed development of affordable housing. The “alternative zoning” heading simply shows that ABAG unequivocally addressed the language of the Attorney General’s opinion. Addressing this regional need would reduce (although it would not eliminate) the contradiction implied by development policy expectations that jobs can be added without provisions for an adequate housing supply to meet the labor force requirements.

Therefore, the total projected regional housing need for the period 1988 to 1995 is 283,713 units.

The ABAG staff recognizes that many communities may find it difficult to “meet” the projected housing need identified in this report. Local housing elements, and local programs adopted by local governments, are not required to “meet” the identified housing need. But State law does require a sustained and serious attempt to address housing needs. Meeting a community’s identified housing needs may exceed the community’s abilities to design or finance local housing programs, especially those to assist lower-income households. Interest rates and other market conditions obviously influence what can be achieved by the private sector. How much can be achieved in a particular community will also depend on the willingness of neighborhood and other community groups to recognize the housing needs of the region, and the potential consequences on the economy and the quality of life if — as citizens of the region — we fail to do so.

Tables 5–12 present the existing and projected housing needs for each jurisdiction. The projected housing need is presented separately for two time periods (1988-90 and 1990-95) to facilitate incorporation into local housing elements. Where applicable, the projected need also incorporates a projected need associated with “alternative zoning,” as described — with all the caveats — above.

Following these tables, this chapter presents information leading to the determination of regional housing need by income category, as required by State law.

TABLE 5
EXISTING AND PROJECTED HOUSING NEEDS
ALAMEDA COUNTY AND CITIES

JURISDICTION	EXISTING NEED	1988-90 PROJECTED NEED	1990-95 PROJECTED NEED	ALTERNATIVE ZONING PROJECTED NEED	TOTAL PROJECTED NEED
ALAMEDA*	843	1,146	799	441	2,386
ALBANY	6	6	80		86
BERKELEY*	349	555	333	826	1,714
DUBLIN	0	1,479	1,912		3,391
EMERYVILLE	12	404	361		765
FREMONT	730	730	6,925	496	8,151
HAYWARD	89	1,435	7,299		8,734
LIVERMORE	291	291	1,666	582	2,539
NEWARK	25	275	562	608	1,445
OAKLAND	1,180	2,389	4,349	2,136	8,874
PIEDMONT	22	22	7		29
PLEASANTON	56	56	2,297	1,194	3,547
SAN LEANDRO	179	672	1,753		2,425
UNION CITY	308	1,066	890		1,956
Subtotal	4,090	10,837	29,390	6,283	46,042
Co. Remainder	1,122	1,618	1,272	0	2,890
COUNTY TOTAL	5,212	12,455	30,662	6,283	48,932

* Revisions approved; see Appendix F.

TABLE 6
EXISTING AND PROJECTED HOUSING NEEDS
CONTRA COSTA COUNTY AND CITIES

JURISDICTION	EXISTING NEED	1988-90 PROJECTED NEED	1990-95 PROJECTED NEED	ALTERNATIVE ZONING PROJECTED NEED	TOTAL PROJECTED NEED
ANTIOCH	130	761	5,582		6,343
BRENTWOOD	9	173	1,732		1,905
CLAYTON	71	71	170		241
CONCORD	427	999	2,084	840	3,923
DANVILLE	50	995	1,449		2,444
EL CERRITO	150	517	104	101	722
HERCULES	1	919	1,262		2,181
LAFAYETTE	110	124	209		333
MARTINEZ	315	588	1,157		1,745
MORAGA	433	523	435		958
ORINDA	45	105	164		269
PINOLE	33	238	531		769
PITTSBURG	223	2,002	1,908		3,910
PLEASANT HILL	186	332	418	779	1,529
RICHMOND	232	804	4,019		4,823
SAN PABLO	91	171	107	0	278
SAN RAMON	43	3,539	3,528	602	7,669
WALNUT CREEK	410	410	348	1,509	2,267
Subtotal	2,959	13,271	25,207	3,831	42,309
Co. Remainder	911	2,627	3,820	0	6,447
COUNTY TOTAL	3,870	15,898	29,027	3,831	48,756

TABLE 7
EXISTING AND PROJECTED HOUSING NEEDS
MARIN COUNTY AND CITIES

JURISDICTION	EXISTING NEED	1988-90 PROJECTED NEED	1990-95 PROJECTED NEED	ALTERNATIVE ZONING PROJECTED NEED	TOTAL PROJECTED NEED
BELVEDERE	1	5	0		5
CORTE MADERA	14	233	205		438
FAIRFAX	15	48	210		258
LARKSPUR	71	382	238	202	822
MILL VALLEY	21	21	128		149
NOVATO	0	1,357	2,147	814	4,318
ROSS	0	4	10		14
SAN ANSELMO	38	38	9		47
SAN RAFAEL*	391	1,037	1,600	194	2,831
SAUSALITO	44	158	136		294
TIBURON	2	40	345		385
Subtotal	597	3,323	5,028	1,210	9,561
Co. Remainder*	0	147	641	38	826
COUNTY TOTAL	597	3,470	5,669	1,248	10,387

* Revisions approved; see Appendix F.

TABLE 8
EXISTING AND PROJECTED HOUSING NEEDS
NAPA COUNTY AND CITIES, AND CITY AND COUNTY OF SAN FRANCISCO

JURISDICTION	EXISTING NEED	1988-90 PROJECTED NEED	1990-95 PROJECTED NEED	ALTERNATIVE ZONING PROJECTED NEED	TOTAL PROJECTED NEED
CALISTOGA*	28	29	281		310
NAPA	21	1,004	2,567		3,571
ST. HELENA*	6	478	154		632
YOUNTVILLE	8	110	62		172
Subtotal	63	1,621	3,064	0	4,685
Co. Remainder	0	318	842	197	1,357
COUNTY TOTAL	63	1,939	3,906	197	6,042
SAN FRANCISCO	3,801	5,316	5,778	12,311	23,405

* Revisions approved; see Appendix F.

TABLE 9
EXISTING AND PROJECTED HOUSING NEEDS
SAN MATEO COUNTY AND CITIES

JURISDICTION	EXISTING NEED	1988-90 PROJECTED NEED	1990-95 PROJECTED NEED	ALTERNATIVE ZONING PROJECTED NEED	TOTAL PROJECTED NEED
ATHERTON	54	54	0		54
BELMONT	214	394	124	200	718
BRISBANE*	15	43	206	451	700
BURLINGAME	300	534	447	376	1,357
COLMA	2	86	174		260
DALY CITY	238	863	905		1,768
EAST PALO ALTO	28	280	637	39	956
FOSTER CITY	174	174	642	206	1,022
HALF MOON BAY	10	612	1,970		2,582
HILLSBOROUGH	52	52	187		239
MENLO PARK	70	318	259	1,041	1,618
MILLBRAE	85	85	3		88
PACIFICA	118	396	415		811
PORTOLA VALLEY	12	36	125		161
REDWOOD CITY	97	959	2,473	1,309	4,741
SAN BRUNO	91	91	0	761	852
SAN CARLOS	226	259	363	209	831
SAN MATEO*	415	975	978	949	2,902
S. SAN FRANCISCO	567	1,532	513	769	2,814
WOODSIDE	44	202	167		369
Subtotal	2,812	7,945	10,588	6,310	24,843
Co. Remainder	376	486	252	0	738
COUNTY TOTAL	3,188	8,431	10,840	6,310	25,581

* Revisions approved; see Appendix F.

TABLE 10
EXISTING AND PROJECTED HOUSING NEEDS
SANTA CLARA COUNTY AND CITIES

JURISDICTION	EXISTING NEED	1988-90 PROJECTED NEED	1990-95 PROJECTED NEED	ALTERNATIVE ZONING PROJECTED NEED	TOTAL PROJECTED NEED
CAMPBELL	92	813	649	470	1,932
CUPERTINO	210	1,295	536	1,343	3,174
GILROY	45	143	3,760	1,242	5,145
LOS ALTOS	46	46	60		106
LOS ALTOS HILLS	5	89	135		224
LOS GATOS	58	315	238		553
MILPITAS*	55	2,000	1,709	1,929	5,638
MONTE SERENO	17	50	10		60
MORGAN HILL*	36	68	1,993		2,061
MOUNTAIN VIEW	3	1,303	950	1,042	3,295
PALO ALTO	25	629	1,180		1,809
SAN JOSE	974	10,844	20,728	6,061	37,633
SANTA CLARA	70	874	2,315	1,981	5,170
SARATOGA*	452	648	187		835
SUNNYVALE	50	1,027	3,514	417	4,958
Subtotal	2,138	20,144	37,964	14,485	72,593
Co. Remainder	250	314	231	0	545
COUNTY TOTAL	2,388	20,458	38,195	14,485	73,138

* Revisions accepted; see Appendix F.

TABLE 11
EXISTING AND PROJECTED HOUSING NEEDS
SOLANO COUNTY AND CITIES

JURISDICTION	EXISTING NEED	1988-90 PROJECTED NEED	1990-95 PROJECTED NEED	ALTERNATIVE ZONING PROJECTED NEED	TOTAL PROJECTED NEED
BENICIA	282	1,106	1,243		2,349
DIXON	18	352	347		699
FAIRFIELD	109	1,604	5,290		6,894
RIO VISTA	4	237	533		770
SUISUN CITY	0	470	2,103		2,573
VACAVILLE	216	817	3,780		4,597
VALLEJO	104	999	4,895		5,894
Subtotal	733	5,585	18,191	0	23,776
Co. Remainder	0	246	685	0	931
COUNTY TOTAL	733	5,831	18,876	0	24,707

TABLE 12
EXISTING AND PROJECTED HOUSING NEEDS
SONOMA COUNTY AND CITIES

JURISDICTION	EXISTING NEED	1988-90 PROJECTED NEED	1990-95 PROJECTED NEED	ALTERNATIVE ZONING PROJECTED NEED	TOTAL PROJECTED NEED
CLOVERDALE	5	247	536		783
COTATI	19	19	197		216
HEALDSBURG	31	382	838		1,220
PETALUMA	21	551	2,223		2,774
ROHNERT PARK	0	681	1,171	274	2,126
SANTA ROSA	191	854	6,315	761	7,930
SEBASTOPOL	9	190	347		537
SONOMA	4	160	470		630
Subtotal	280	3,084	12,097	1,035	16,216
Co. Remainder	0	1,718	4,831	0	6,549
COUNTY TOTAL	280	4,802	16,928	1,035	22,765

Consideration of Income Levels

ABAG, in making its determinations of regional housing needs, is required to consider the need for housing at all income levels. Section 65584 of Article 10.6 of the Government Code defines each locality's share of the regional housing need as:

...that share of the housing need of persons at all income levels within the area significantly affected by the jurisdiction's general plan.

Each council of governments is required to allocate projected housing needs by income category in accordance with statutory definitions.

**- California Attorney
General's Opinion
87-206**

The Government Code also requires that the distribution of regional housing needs "seek to avoid further impaction of localities with relatively high proportions of lower income households." State law does not define impaction. It also does not prescribe numerical terms under which a community is considered to have a relatively high number of lower income households.

The most widely used definitions of income groupings of population are those used by the U. S. Department of Housing and Urban Development (HUD) to determine eligibility for Federal housing assistance. Section 6932 of Title 25 of the California Administrative Code sets forth the income limits used by the State Department of Housing and Community Development, which are in large part based on the HUD income limits. Usually this limit is determined for a four-person household. A set of other factors is used to determine eligibility limits for other household sizes.

A household of very low income is one with an income of up to 50% of the median income for the region. A household of low income is one with an income of 51–80% of the median regional income. A moderate income household is one with an income of 81–120% of the median regional income. A household with an income greater than 120% of the regional median is considered of above moderate income.

For purposes of the housing needs determinations, income levels are not adjusted for household size.

Allocation of housing need by income category does not mean continuing existing cities' income distributions into the future.

All communities are expected by State law to provide greater opportunities for the Bay Area's lower-income households, as well as for more affluent ones.

ABAG staff have used the 1979 income distribution of households for each city, county and the Bay Area, as reported by the Census Bureau in the 1980 Census. The income categories defined in Sections 6910–6932 of the California Administrative Code are used, in accordance with the interpretation of California Attorney General's Opinion 87–206.

The Census reports a 1979 median household income for the region as \$20,607. Thus, a household with an income of \$10,304 or less would be very low income, a household with an income from \$10,305 to \$16,486 would be low income, and a household with an income of from \$16,487 to \$24,728 would be considered of moderate income. An income of greater than \$24,728 would be above moderate income. These income limits were used to estimate the proportion of households in each jurisdiction in the Bay Area in the four income categories.

For the region, 23% of the households are very low income, 16% are low income, 21% are moderate income, and 40% are above moderate income. Tables 13 through 20 show the 1979 distribution of each jurisdiction's households compared to the regional median household income.

Since AB 2853 requires each council of governments to determine regional housing needs, what is implied by a determination of household need by income category is movement toward the distribution of households by income category within the region.

This movement-toward-the-regional-distribution presumption was used by ABAG in its previous determinations of regional housing needs. The presumption was then — and remains now — that a more equitable distribution of housing opportunities would be achieved by applying a regionally derived percentage to the projected housing need.

The approach described below has been determined to be acceptable by the State Housing and Community Development Department, since it is identical to that

used in the 1983 determinations—also accepted by HCD.

ABAG's allocations promote a more equitable distribution of housing opportunities among cities and counties of the Bay Area.

For purposes of this report, the existing city percentages are averaged with the existing county and regional percentages to determine the percentage to be applied to the projected housing need. Thus, the distribution promotes a more equitable distribution of housing opportunities within the Bay Area, and furthers the intent that the resulting distribution “seek to avoid further impaction” of existing communities with higher concentrations of lower income households.

For example, the City of Oakland (with 39% very low) is averaged with Alameda County (28% very low) and the region (23% very low) to derive a new percentage of 30% very low $[39+28+23=90; \text{ and } 90/3=30]$. The averaged percentages are shown in Tables 13–20. The projected housing needs by income category are shown in Tables 21–28.

Although resources are constrained, local housing elements can focus greater attention on making a community's housing more affordable to all economic segments of the region.

The resulting numbers from the procedure described above do not imply that each jurisdiction must produce the identified amount of very low–, low–, moderate– and above–moderate income housing. The numbers do imply a net increase in the number of available units in each of these income categories. A community can promote additional housing opportunities by a number of means. Included among these are by “filtering”; by allowing large single-family homes to be converted to multi-family uses; by promoting or encouraging the rehabilitation of substandard units or units presently scheduled for demolition; by providing for the conversion of seasonal to year-round occupancy; or by authorizing the construction of new low- and moderate-income housing units, using density bonuses and allowing for greater use of second-units and manufactured housing. How each county and city will address the determination of regional housing need by income category will be decided in the process of updating the housing elements of each individual jurisdiction.

TABLE 13
EXISTING AND AVERAGED INCOME PERCENTAGES
ALAMEDA COUNTY AND CITIES

JURISDICTION	VERY LOW		LOW		MODERATE		ABOVE MODERATE	
	1980	AVG.	1980	AVG.	1980	AVG.	1980	AVG.
ALAMEDA*	25	25	20	18	21	21	34	36
ALBANY	30	27	20	18	23	21	27	34
BERKELEY	40	30	18	17	17	19	25	34
DUBLIN	9	20	11	14	26	23	54	43
EMERYVILLE	27	26	21	18	26	22	26	34
FREMONT	14	22	13	15	22	21	51	42
HAYWARD	22	24	17	17	25	22	36	37
LIVERMORE	15	22	12	15	23	21	50	42
NEWARK	11	20	10	14	23	22	56	44
OAKLAND	39	30	18	17	18	20	25	33
PIEDMONT	9	20	9	14	14	18	68	48
PLEASANTON	12	21	10	14	18	20	60	45
SAN LEANDRO	24	25	18	17	23	21	35	37
UNION CITY*	14	22	13	15	25	22	48	41
Unincorp.	21	24	16	16	23	21	40	39
COUNTYWIDE	28		17		20		35	

* Projected need by income category revised; see Appendix F and Table 21.

TABLE 14
EXISTING AND AVERAGED INCOME PERCENTAGES
CONTRA COSTA COUNTY AND CITIES

JURISDICTION	VERY LOW		LOW		MODERATE		ABOVE MODERATE	
	1980	AVG.	1980	AVG.	1980	AVG.	1980	AVG.
ANTIOCH	22	22	16	15	24	22	38	41
BRENTWOOD	32	25	23	18	21	20	24	37
CLAYTON	5	16	6	12	8	16	81	56
CONCORD	18	20	16	16	22	21	44	43
DANVILLE	6	16	6	12	12	18	76	54
EL CERRITO	21	21	16	15	20	20	43	44
HERCULES	4	16	5	12	16	19	75	53
LAFAYETTE	13	19	9	13	15	18	63	50
MARTINEZ	20	21	13	14	19	20	48	45
MORAGA	7	17	8	13	13	18	72	52
ORINDA *	6	16	6	12	11	17	77	55
PINOLE	13	19	12	14	22	21	53	46
PITTSBURG	25	23	16	15	24	22	35	40
PLEASANT HILL	18	20	14	15	22	21	46	44
RICHMOND**	34	26	18	16	21	21	27	37
SAN PABLO	39	27	22	17	21	21	18	35
SAN RAMON	5	16	7	12	16	19	72	53
WALNUT CREEK	17	20	14	15	18	20	51	45
Unincorp.	18	20	13	14	19	20	50	46
COUNTYWIDE	20		14		20		46	

* Income distribution was based on Orinda's Census Designated Place data in 1980 because the city was not incorporated until 1983.

** Projected need by income category revised; see Appendix F and Table 22.

TABLE 15
EXISTING AND AVERAGED INCOME PERCENTAGES
MARIN COUNTY AND CITIES

JURISDICTION	VERY LOW		LOW		MODERATE		ABOVE MODERATE	
	1980	AVG.	1980	AVG.	1980	AVG.	1980	AVG.
BELVEDERE	11	17	5	12	10	17	74	54
CORTE MADERA	12	17	14	15	20	20	54	48
FAIRFAX	23	21	18	16	21	20	38	43
LARKSPUR	18	19	15	15	20	20	47	46
MILL VALLEY	17	19	14	15	18	19	51	47
NOVATO	15	18	15	15	20	20	50	47
ROSS	8	16	11	14	9	16	72	54
SAN ANSELMO	21	20	17	16	21	20	41	44
SAN RAFAEL	22	21	16	15	19	20	43	44
SAUSALITO	16	19	13	14	21	20	50	47
TIBURON	10	17	11	14	12	17	67	52
Unincorp.	15	18	12	14	18	19	55	49
COUNTYWIDE	17		14		19		50	

TABLE 16
EXISTING AND AVERAGED INCOME PERCENTAGES
NAPA COUNTY & CITIES AND CITY & COUNTY OF SAN FRANCISCO

JURISDICTION	VERY LOW		LOW		MODERATE		ABOVE MODERATE	
	1980	AVG.	1980	AVG.	1980	AVG.	1980	AVG.
CALISTOGA	48	32	19	18	17	20	16	30
NAPA	26	25	18	17	22	21	34	37
ST. HELENA	34	28	19	18	19	20	28	34
YOUNTVILLE	35	28	24	19	16	19	25	34
Unincorp.	21	23	17	17	22	21	40	39
COUNTYWIDE	26		18		21		35	
SAN FRANCISCO*	33	24	19	16	20	20	28	40

* Percentage revised by ABAG staff to correct error; see Appendix F and Table 24.

TABLE 17
EXISTING AND AVERAGED INCOME PERCENTAGES
SAN MATEO COUNTY AND CITIES

JURISDICTION	VERY LOW		LOW		MODERATE		ABOVE MODERATE	
	1980	AVG.	1980	AVG.	1980	AVG.	1980	AVG.
ATHERTON	5	15	4	12	5	16	86	57
BELMONT	12	17	15	16	19	20	54	47
BRISBANE	22	21	19	17	22	21	37	41
BURLINGAME	20	20	19	17	20	21	41	42
COLMA	21	20	13	15	27	23	39	42
DALY CITY	18	19	18	17	23	22	41	42
EAST PALO ALTO	34	25	24	17	20	21	22	37
FOSTER CITY	7	16	12	15	19	20	62	49
HALF MOON BAY	17	19	12	15	19	20	52	46
HILLSBOROUGH	5	15	4	12	6	16	85	57
MENLO PARK	21	20	16	16	19	20	44	44
MILLBRAE	15	18	14	15	18	20	53	47
PACIFICA	15	18	13	15	24	22	48	45
PORTOLA VALLEY	4	15	4	12	9	17	83	56
REDWOOD CITY	23	21	19	17	20	21	38	41
SAN BRUNO	15	18	16	16	25	22	44	44
SAN CARLOS	14	18	14	15	20	21	52	46
SAN MATEO	18	19	17	16	22	21	43	44
S. SAN FRANCISCO	18	19	15	16	24	22	43	43
WOODSIDE	8	16	5	12	11	18	76	54
Unincorp.	15	18	13	15	19	20	53	47
COUNTYWIDE	17		16		21		46	

TABLE 18
EXISTING AND AVERAGED INCOME PERCENTAGES
SANTA CLARA COUNTY AND CITIES

JURISDICTION	VERY LOW		LOW		MODERATE		ABOVE MODERATE	
	1980	AVG.	1980	AVG.	1980	AVG.	1980	AVG.
CAMPBELL	23	21	18	16	23	22	36	41
CUPERTINO	9	16	10	14	17	20	64	50
GILROY	25	22	17	16	21	21	37	41
LOS ALTOS	8	16	7	13	12	18	73	53
LOS ALTOS HILLS	5	15	5	12	8	17	82	56
LOS GATOS	17	19	13	15	17	20	53	46
MILPITAS	12	17	13	15	25	22	50	46
MONTE SERENO	10	17	5	12	14	19	71	52
MORGAN HILL	17	19	13	15	20	21	50	45
MOUNTAIN VIEW	20	20	20	17	25	22	35	41
PALO ALTO	17	19	15	15	18	20	50	46
SAN JOSE	19	20	15	15	21	21	45	44
SANTA CLARA	18	19	17	16	22	21	43	44
SARATOGA	7	16	7	13	11	18	75	53
SUNNYVALE	15	18	17	16	23	22	45	44
Unincorp.	19	20	15	15	20	21	46	44
COUNTYWIDE	17		15		21		47	

TABLE 19
EXISTING AND AVERAGED INCOME PERCENTAGES
SOLANO COUNTY AND CITIES

JURISDICTION	VERY LOW		LOW		MODERATE		ABOVE MODERATE	
	1980	AVG.	1980	AVG.	1980	AVG.	1980	AVG.
BENICIA	18	22	15	16	21	22	46	40
DIXON	23	24	18	17	22	22	37	37
FAIRFIELD*	25	24	21	18	22	22	32	36
RIO VISTA	27	25	15	16	24	23	34	36
SUISUN CITY	20	23	13	16	30	25	37	36
VACAVILLE	21	23	16	17	25	23	38	37
VALLEJO*	28	25	19	18	23	22	30	35
Unincorp.	25	24	16	17	19	21	40	38
COUNTYWIDE	25		18		23		34	

* Projected need by income category revised; see Appendix F and Table 27.

TABLE 20
EXISTING AND AVERAGED INCOME PERCENTAGES
SONOMA COUNTY AND CITIES

JURISDICTION	VERY LOW		LOW		MODERATE		ABOVE MODERATE	
	1980	AVG.	1980	AVG.	1980	AVG.	1980	AVG.
CLOVERDALE	35	29	14	16	22	22	29	33
COTATI	34	28	23	19	19	21	24	32
HEALDSBURG	31	27	18	18	23	22	28	33
PETALUMA	23	25	16	17	22	22	39	36
ROHNERT PARK	24	25	18	18	26	23	32	34
SANTA ROSA	28	26	19	18	22	22	31	34
SEBASTOPOL	37	29	18	18	21	21	24	32
SONOMA	30	27	18	18	19	21	33	34
Unincorp.	28	26	19	18	21	21	32	35
COUNTYWIDE	28		19		22		31	

TABLE 21
PROJECTED HOUSING NEED BY INCOME CATEGORY
ALAMEDA COUNTY AND CITIES

JURISDICTION	TOTAL PROJECTED NEED	VERY LOW	LOW	MODERATE	ABOVE MODERATE
ALAMEDA	2,386	548	382	477	979
ALBANY	86	23	15	18	30
BERKELEY	1,714	514	291	326	583
DUBLIN	3,391	678	475	780	1,458
EMERYVILLE	765	199	138	168	260
FREMONT	8,151	1,793	1,223	1,712	3,423
HAYWARD	8,734	2,096	1,485	1,921	3,232
LIVERMORE	2,539	559	381	533	1,066
NEWARK	1,445	289	202	318	636
OAKLAND	8,874	2,662	1,509	1,775	2,928
PIEDMONT	29	6	4	5	14
PLEASANTON	3,547	745	497	709	1,596
SAN LEANDRO	2,425	606	412	509	898
UNION CITY	1,956	372	293	450	841
Unincorp.	2,890	694	462	607	1,127
COUNTYWIDE	48,932	11,833	7,816	10,332	18,951

TABLE 22
PROJECTED HOUSING NEED BY INCOME CATEGORY
CONTRA COSTA COUNTY AND CITIES

JURISDICTION	TOTAL PROJECTED NEED	VERY LOW	LOW	MODERATE	ABOVE MODERATE
ANTIOCH	6,343	1,395	951	1,395	2,602
BRENTWOOD	1,905	476	343	381	705
CLAYTON	241	39	29	39	134
CONCORD	3,923	785	628	824	1,686
DANVILLE	2,444	391	293	440	1,320
EL CERRITO	722	152	108	144	318
HERCULES	2,181	349	262	414	1,156
LAFAYETTE	333	63	43	60	167
MARTINEZ	1,745	366	244	349	786
MORAGA	958	163	125	172	498
ORINDA	269	43	32	46	148
PINOLE	769	146	108	161	354
PITTSBURG	3,910	899	587	860	1,564
PLEASANT HILL	1,529	306	229	321	673
RICHMOND	4,823	53	280	1,553	2,937
SAN PABLO	278	75	47	58	98
SAN RAMON	7,669	1,227	920	1,457	4,065
WALNUT CREEK	2,267	453	340	453	1,021
Unincorp.	6,447	1,289	903	1,289	2,966
COUNTYWIDE	48,756	8,670	6,472	10,416	23,198

TABLE 23
PROJECTED HOUSING NEED BY INCOME CATEGORY
MARIN COUNTY AND CITIES

JURISDICTION	TOTAL PROJECTED NEED	VERY LOW	LOW	MODERATE	ABOVE MODERATE
BELVEDERE	5	1	1	1	2
CORTE MADERA	438	74	66	88	210
FAIRFAX	258	54	41	52	111
LARKSPUR	822	156	123	164	379
MILL VALLEY	149	28	22	28	71
NOVATO	4,318	777	648	864	2,029
ROSS	14	2	2	2	8
SAN ANSELMO	47	9	8	9	21
SAN RAFAEL	2,831	595	425	566	1,245
SAUSALITO	294	56	41	59	138
TIBURON	385	65	54	65	201
Unincorp.	826	149	116	157	404
COUNTYWIDE	10,387	1,966	1,547	2,055	4,819

TABLE 24
PROJECTED HOUSING NEED BY INCOME CATEGORY
NAPA COUNTY & CITIES, AND SAN FRANCISCO

JURISDICTION	TOTAL PROJECTED NEED	VERY LOW	LOW	MODERATE	ABOVE MODERATE
CALISTOGA	310	99	56	62	93
NAPA	3,571	893	607	750	1,321
ST. HELENA	632	177	114	126	215
YOUNTVILLE	172	48	33	33	58
Unincorp.	1,357	312	231	285	529
COUNTYWIDE	6,042	1,529	1,041	1,256	2,216
SAN FRANCISCO	23,405	5,617	3,745	4,681	9,362

TABLE 25
PROJECTED HOUSING NEED BY INCOME CATEGORY
SAN MATEO COUNTY AND CITIES

JURISDICTION	TOTAL PROJECTED NEEDS	VERY LOW	LOW	MODERATE	ABOVE MODERATE
ATHERTON	54	8	6	9	31
BELMONT	718	122	115	144	337
BRISBANE	700	147	119	147	287
BURLINGAME	1,357	271	231	285	570
COLMA	260	52	39	60	109
DALY CITY	1,768	336	301	389	742
EAST PALO ALTO	956	239	163	201	353
FOSTER CITY	1,022	164	153	204	501
HALF MOON BAY	2,582	491	387	516	1,188
HILLSBOROUGH	239	36	29	38	136
MENLO PARK	1,618	324	259	324	711
MILLBRAE	88	16	13	18	41
PACIFICA	811	146	122	178	365
PORTOLA VALLEY	161	24	19	27	91
REDWOOD CITY	4,741	996	806	996	1,943
SAN BRUNO	852	153	136	187	376
SAN CARLOS	831	150	125	175	381
SAN MATEO	2,902	551	464	609	1,278
S. SAN FRANCISCO	2,814	535	450	619	1,210
WOODSIDE	369	59	44	66	200
Unincorp.	738	133	111	148	346
COUNTYWIDE	25,581	4,953	4,092	5,340	11,196

TABLE 26
PROJECTED HOUSING NEED BY INCOME CATEGORY
SANTA CLARA COUNTY AND CITIES

JURISDICTION	TOTAL PROJECTED NEED	VERY LOW	LOW	MODERATE	ABOVE MODERATE
CAMPBELL	1,932	406	309	425	792
CUPERTINO	3,174	508	444	635	1,587
GILROY	5,145	1,132	823	1,080	2,110
LOS ALTOS	106	17	14	19	56
LOS ALTOS HILLS	224	34	27	38	125
LOS GATOS	553	105	83	111	254
MILPITAS	5,638	958	846	1,240	2,594
MONTE SERENO	60	10	7	11	32
MORGAN HILL	2,061	392	309	433	927
MOUNTAIN VIEW	3,295	659	560	725	1,351
PALO ALTO	1,809	344	271	362	832
SAN JOSE	37,633	7,527	5,645	7,903	16,558
SANTA CLARA	5,170	982	827	1,086	2,275
SARATOGA	835	134	109	150	442
SUNNYVALE	4,958	892	793	1,091	2,182
Unincorp.	545	109	82	114	240
COUNTYWIDE	73,138	14,209	11,149	15,423	32,357

TABLE 27
PROJECTED HOUSING NEED BY INCOME CATEGORY
SOLANO COUNTY AND CITIES

JURISDICTION	TOTAL PROJECTED NEED	VERY LOW	LOW	MODERATE	ABOVE MODERATE
BENICIA	2,349	517	376	517	939
DIXON	699	168	119	154	258
FAIRFIELD	6,894	552	1,303	2,061	2,978
RIO VISTA	770	193	123	177	277
SUISUN CITY	2,573	592	412	643	926
VACAVILLE	4,597	1,057	781	1,057	1,702
VALLEJO	5,894	413	295	2,947	2,239
Unincorp.	931	223	158	196	354
COUNTYWIDE	24,707	3,715	3,567	7,752	9,673

TABLE 28
PROJECTED HOUSING NEED BY INCOME CATEGORY
SONOMA COUNTY AND CITIES

JURISDICTION	TOTAL PROJECTED NEED	VERY LOW	LOW	MODERATE	ABOVE MODERATE
CLOVERDALE	783	227	125	172	259
COTATI	216	60	41	45	70
HEALDSBURG	1,220	329	220	268	403
PETALUMA	2,774	694	472	610	998
ROHNERT PARK	2,126	532	383	489	722
SANTA ROSA	7,930	2,062	1,427	1,745	2,696
SEBASTOPOL	537	156	97	113	171
SONOMA	630	170	113	132	215
Unincorp.	6,549	1,703	1,179	1,375	2,292
COUNTYWIDE	22,765	5,933	4,057	4,949	7,826

Consideration of Farmworker Housing Need

As noted previously, one factor to be considered in the determination of regional housing need is the housing needs of farmworkers.

*“Housing...
[California
farmworkers]
presents particular
problems because of
the rural location
and seasonal
nature of the work,
and the need for
mobility on the
part of many of the
workers.”*

**-California Statewide
Housing Plan, August
1987**

The State Department of Employment Development (EDD) annually estimates the total agricultural employment in 42 of the State’s counties. Of these counties, figures are not available for two Bay Area counties—San Francisco and Marin.

EDD estimates there were approximately 20,470 workers employed in agriculture in the Bay Area in 1985—the latest year for which EDD estimates are available. This number includes farmers and members of their families who were unpaid; regular and seasonal hired domestic workers; and agricultural workers brought to California under contract from outside the United States. This last category of worker has contained no workers since termination of the bracero program by then-Governor Ronald Reagan in 1967.

Farmers and Unpaid Family. The number of Bay Area farmers and unpaid family workers in 1985 was estimated by EDD to be 4,250. This was 70% lower than the number in this category in 1955.

Regular and Seasonal Hired Domestic Workers. The total number of workers in the Bay Area in this category in 1985 was estimated at 16,220, compared to the early 1950s, when the number reached approximately 30,000.

For purposes of this report, farmworkers are defined as regular and seasonal hired domestic workers.

Several general conclusions were reached by the Department of Housing and Community Development in its August 1987 Statewide Housing Plan, drawing on 1980 Census data. The Census data provides a limited review of actual needs. One reason is that April 1—the date each Census is taken—does not represent the peak period of agricultural work

statewide. The Census shows that farmworker households have low home-ownership rates, large household sizes and low incomes. Relative to other Californians, they live disproportionately in housing that is in the poorest condition. They have very high rates of overcrowding. Most farmworkers are members of minority groups; nearly two-thirds of California's farmworkers are of Spanish origin.

As is the case of most low-income households, the housing needs of farmworkers far exceed governments' ability to provide assistance. The Farmers Home Administration (FmHa) has been the most important provider of permanent housing for farmworkers, but FmHA assistance suffers from its own income qualifying standards and a shortage of staff and funds. Another important provider of farmworker housing is the State Department of Housing and Community Development (which operates migrant centers throughout the State). In 1980, the 25 State migrant centers in 13 counties in California provided for about 1,900 housing units, occupied by nearly 2,500 farmworker families staying an average of 115 days in the centers.

Because farmworkers have low incomes and their employment status is often tenuous, they are often unable to compete for housing on the open market. In addition, because most share a culture and language that is often different from the communities in which they work, they are often discriminated against in the housing market.

Even among the broader farmworker population, there are different groups—each with its own housing problems. Regular or year-round farmworkers are defined by EDD as those working 150 or more days for the same employer. Their incomes are generally higher than seasonal workers (who work less than 150 days annually for the same employer); many year-round farmworkers are still unable to obtain affordable ownership or standard rental housing.

“As a group, farmworkers have major housing problems [resulting from]...low incomes, large household sizes, and the high mobility of many farmworkers.”

- California Statewide Housing Plan

Seasonal and migrant seasonal workers represent about one-third of the region's farmworker population. In Sonoma County, the Bay Area county with the highest number of farmworkers, about one-quarter are seasonal. Santa Clara County has the highest number of seasonal farmworkers in the region—1,870 in 1985. These workers represented about 47% of the total hired domestic farmworkers in the county.

Seasonal workers are generally local residents who depend heavily on finding employment in the agricultural industry to support their families. Migrant seasonal workers are those who travel more than 50 miles across county lines to obtain agricultural employment. The housing needs of the latter category are most severe because of constant travel. These workers often take what they can get in terms of housing, which often includes living in substandard, overcrowded conditions.

A 1975 study by Self-Help Enterprises found that statewide trends and projections indicated a stabilization of the agricultural work force. Another of the study's conclusions was a projection that seasonal farmworker employment would gradually decline as a result of the increased demand for year-round workers. Complicating even a simple analysis of farmworker housing needs (particularly in rural areas of California) is the potential impact of the Immigration Reform and Control Act of 1986. It is likely there will be increased demands for adequate and affordable farmworker housing as eligible undocumented workers legalize their status.

Determining the Housing Needs of Farmworkers

In order to determine the need for additional housing in the Bay Area for farmworkers, it is necessary to project future farmworkers in the labor force, convert these estimates into farmworker households, and then compare these to the existing farmworker households.

1. For purposes of this report, the EDD estimates were used to project the number of farmworkers for 1995.

Farmworker households will probably decline in number through 1995...Therefore, the need for additional housing for farmworkers is not demonstrable in the region.

Local governments with a substantial agricultural work force should examine the need for farmworker housing, or improvements to the housing stock occupied by such workers, as part of updating their housing elements.

Because total domestic farmworker employment estimates were available beginning with 1955, a trend-line analysis using simple linear regression was used to project total hired domestic employment for 1995. The 1995 estimate was corrected for the difference between the predicted 1985 level and the estimate for that year. A total of domestic farmworkers were estimated for each county for 1995.

2. It was assumed for purposes of this report that labor force participation among farmworkers is 1.5 workers/household.

This assumption was based on the traditional family participation in the fields, the shifting needs of farm operations and an increasing attendance at both regular and migrant schools, as farmworker parents are increasingly realizing the value of education for their children despite their own lower educational attainment levels.

The 1.5 workers/household figure was used to estimate the number of farmworker households for 1980 (using the EDD figures) and for the projected 1995 farmworkers (from step 1 above).

3. Finally, the projection of 1995 regular and seasonal farmworker households was compared with the estimates for 1980 to determine the "projected housing need" for farmworker households. For the region as a whole, the projected need for housing for regular farmworkers is the difference between the projected 1995 number of households and the estimated existing number of regular domestic farmworker households.

For the region as a whole, the analysis described above suggests there will be a decline in the number of farmworker households in the region, and in each county where EDD estimates agricultural employment annually. Therefore, the need for additional housing for farmworkers is not demonstrable in the region. This is consistent with the projected decline of agricultural employment in the region, as discussed in *Projections 87*.

Because this report concentrates on determining a needed increase in housing available for year-round occupancy, it is assumed that seasonal workers will continue to be housed in non-year-round units. For planning purposes, this means that no net increase in seasonal or migrant housing is calculated. Each city and county within the ABAG region, however, should consider this category of need as part of updating its housing element.

In addition, local housing elements should consider—if data from the Census indicates a need to do so—the physical condition of housing stock where existing farmworker households reside. As previously stated, many farmworker households live in substandard housing units. Where the need to upgrade such units is demonstrable, these needs should be included in the housing conservation programs to be addressed by local government housing elements, and by the Housing Assistance Plans and programs under the Federal Community Development Block Grant program.

Potential Revisions by HCD

HCD may revise ABAG's regional housing needs determination.

— Government Code Section 65584 (a)

As long as the 1995 household level is accommodated, HCD is not likely to revise the distribution of housing need for the region or its localities.

State law permits the California Department of Housing and Community Development (HCD) to revise the determination of regional housing need to “ensure consistency with the statewide housing need....” As a practical matter, what is important to the Department is that the level of household growth (and not its distribution) at the regional level be accommodated. Based on California Department of Finance (DOF) projections of population made in 1986, HCD determined on June 29, 1988, that there will be 2,432,900 households in the Bay Area on July 1, 1995.

This compares with the *Projections 87* household forecast (for April 1, 1995) of 2,420,990 households—a difference of 11,910 households. At the regional level, the difference is less than one half of one percent, and for the most part is explained by different household estimates for the City and County of San Francisco, and the three-month difference in the forecast dates. The ABAG staff believes the DOF population forecast (made in 1986) for San Francisco probably overestimates growth; therefore the household estimate for San Francisco made by HCD is probably also high.

Nevertheless, the housing needs determinations contained in this report accommodate the household level projected for the region by HCD. As long as this total is more than accommodated, it is not likely that HCD will revise the regional housing need, or its distribution to individual cities and counties. See Appendix F for ABAG staff responses to HCD comments on the initial determinations.

3. Local Government Review Process

Chapter 1143 of the Statutes of 1980 provides a three-step review process for determining regional housing needs. These steps are:

- Initial determination of regional housing needs by ABAG.
- Local review and revision, where appropriate.
- ABAG action on the local revisions.

Initial Determination Phase

This step was accomplished by ABAG action on the September report, which identifies the regional housing needs, and local shares of such needs, after consideration of the factors listed in Section 65584 of the Government Code. The completion of this step began a 90-day local revision process.

Local Review and Revision Phase

Subsection (c) of Section 65584 of the Government Code provides for a 90-day period during which each Bay Area county and city may revise its share of the regional housing need, using only accepted planning methods and available data. Revisions were proposed by 19 jurisdictions.

ABAG Action on Local Revision Phase

Within 60 days of a local government's revision to its share of the regional housing need, ABAG must either accept the revision, or indicate why the revision is inconsistent with the regional housing needs.

The housing element law specifies that local government revisions must be based on available data and accepted planning methods. It does not specify what constitutes available data, nor does it prescribe a planning methodology. As previously described, it

State law specifies the schedule for completing the housing needs determinations process in each region of California.

— **Government Code Section 65584 (c)**

does preclude a local government from using a growth limitation ordinance (as defined by law) as a justification for a reduction in its share of the regional housing need.

The most critical assumption with respect to the regional housing needs determinations is that household growth between 1988 and 1995 in each jurisdiction will occur as specified in *Projections 87*. This document — the most recent regionally consistent forecasts of growth for the Bay Area — was extensively reviewed by Bay Area local governments prior to adoption by ABAG's Executive Board in June 1987.

The housing need for the unincorporated area of each county (called "county remainder" in this report) is not distributed to unincorporated communities within the nine counties. ABAG will rely on the counties to determine how such housing needs are to be addressed for the unincorporated area in each county's housing element.

In taking action on the September 1988 housing needs determinations report, ABAG requested cities and counties in the Bay Area to review the report and its assumptions carefully, and to make appropriate revisions, if necessary, effective on December 13, 1988. The Executive Board considered all revisions, and took final action on January 19, 1989. This allows Bay Area local governments approximately 15 months to consider how they will address shares of the regional housing needs as part of the process of updating local housing elements.

San Francisco Bay Area Housing Needs Determinations

Appendix A. Technical Definitions and Formulas

Terms used in calculating housing need are defined at right.

Formulas to calculate existing and projected need for housing are shown next, followed by an explanation of how the optimal vacancy rate is calculated for each jurisdiction.

a = vacancy ratio

b & c = housing cost to income ratios

\ln = natural logarithm

A_{ho} = available housing units

hh = households in jurisdiction (occupied housing units)

new_{hh} = projected households in sphere of influence

hhs = estimated households in sphere in 1988

SR = household/housing unit production ratio = .9

h_v = median value of owner-occupied units

h_i = median household income

r_v = median rent of renter-occupied units

fu = unweighted variance factor

fw = weighted variance factor

RVR = Regional Vacancy Rate Goal = .045

AVR = Available Vacancy Rate =
 $(A_{ho88} - hh88)/A_{ho88}$

Shc = Shortfall coefficient

OVR = Optimal Vacancy Rate

NE = Existing Need (1988) in jurisdiction

Total projected need is the combination of existing need and growth need, and, where applicable, a need associated with alternative zoning in areas with substantial job growth.

NG = Growth Need in sphere of influence

NJ = Need associated with alternative zoning consideration

NP = Projected Need

TNP = Total Projected Need

Formulas Used to Calculate Existing and Projected Housing Needs

$$a = \frac{(\ln Aho81 - \ln hh81)^{SR}}{\ln Aho88 - \ln hh88}$$

$$b = \frac{\ln hv88 - \ln hv81}{\ln hi88 - \ln hi81} \times \% \text{ owner hh}$$

$$c = \frac{\ln rv88 - \ln rv81}{\ln hi88 - \ln hi81} \times \% \text{ renter hh}$$

$$\left. \begin{aligned} fu &= \frac{a + (b + c)}{20} - .1 \\ fw &= fu (RVR/AVR) \\ Shc &= \frac{1}{1 + fw} \end{aligned} \right\} Shc = \frac{AVR}{AVR + .00225 (a + (b+c)) - .0045}$$

$$OVR = (AVR)^{Shc}$$

$$NE = \frac{hh88}{1 - OVR} - Aho88$$

$$NG^{90} = \frac{newhh90 - hhs}{1 - OVR}$$

$$NG^{95} = \frac{newhh95 - hhs}{1 - OVR}$$

$$NP^{88-90} = NE + NG^{90}$$

$$NP^{88-95} = NE + NG^{95}$$

$$NP^{90-95} = NP^{88-95} - NP^{88-90}$$

$$NJ = \text{Need from alternative zoning calculation}$$

$$TNP = NE + NG^{95} + NJ$$

Description of Methodology

The purpose of this appendix is to provide a detailed description of the methodology used to calculate the housing needs determinations. There are three components of these determinations. (1) The existing need is the number of housing units needed to accommodate the difference between the vacancy rate that actually existed in each jurisdiction on January 1, 1988, and the vacancy rate that should have existed to keep the market closer to equilibrium. (2) The growth need is the number of housing units needed to accommodate the projected household growth from 1988 to 1995, and keep the vacancy rate at the optimal level for each jurisdiction.

In 1987, the Attorney General ruled that councils of governments cannot limit their consideration of regional housing need to that associated with existing local zoning policy when determining regional housing needs allocations. (3) Therefore, the final component of the housing needs determinations is the number of housing units associated with correcting the imbalance between jobs and employed residents in many jurisdictions that necessitates considerably more commuting than is desirable.

The first step is to determine the existing need. This process uses data from the Department of Finance (DOF) reported as of January 1, 1981, and January 1, 1988. These DOF summary reports provide the number of available housing units (AHO) and the number of households (HH) for each jurisdiction. ABAG staff assumes the total number of housing units reported by DOF is the number of available housing units. Households are, by definition, occupied housing units. Data from Department of Finance reports statistics for the current geographical boundaries of the incorporated jurisdictions. For cities not incorporated in 1981, household estimates are obtained by interpolating from the number of households reported in *Projections 87*. Estimates for the number of available housing units are obtained by assuming the same occupancy rate reported in the corresponding Census Designated Place in the 1980

Census. This occupancy rate multiplied by the estimated number of households provides the estimated number of available housing units.

(1) Calculating Existing Need

Step 1: Calculate the available vacancy ratio (a), which compares the amount of vacant available housing in 1981 with the amount of vacant available housing in 1988 for each jurisdiction. This comparison is found by creating a ratio with the difference between the natural logarithm of the available housing units (AHO) and the natural logarithm of the households (HH) for 1981 in the numerator and the difference between these same variables for 1988 in the denominator. Logarithms are used because they describe the constant rate of continuous growth rather than growth that takes place at discrete intervals. In addition, since ratios are mathematically insensitive, a power function is used to increase the sensitivity of the ratio. The exponent used in the power function — 0.9 — is called the household/housing unit production ratio because it has the effect of stating that for every new household added, 1.1 new housing units should be added to the stock ($1/1.1 = 0.9$). This is an assumption. Because the housing supply has been lagging household growth, the function is used as a means to inflate production needs. Algebraically, the numerator of the ratio is raised to the power of 0.9.

Step 2: Calculate the housing cost to income ratios (b & c), which measure the difference between the rate of increase in housing costs between 1981 and 1988 and the rate of increase in median household income over the same period. This is done in two parts — one reflecting the change in the median value of owner-occupied housing, the other reflecting the change in the median rent paid for all renter-occupied housing.

Median housing values for 1981 and 1988 are estimated by inflating the 1980 Census median housing value for each jurisdiction by an inflator obtained from the Northern California Real Estate

Research Council index for the subregion where the jurisdiction is located. There are separate indices for each of the East Bay, North Bay, San Francisco, and Peninsula subregions. Median contract rents from the 1980 Census are inflated by a regional inflator obtained from the San Francisco-Oakland-San Jose Consumer Price Index for Residential Rents. This assumes uniformity in inflationary movement of housing costs. Unfortunately, it increases the bias in the results, but this is the only data available.

Mean household incomes for 1981 and for 1988 are estimated by interpolating the projected mean household income for each jurisdiction from the 1980, 1985, and 1990 mean household income information in *Projections 87*. Since *Projections 87* data are in 1985 dollars, the 1981 estimate is deflated and the 1988 estimate is inflated by adjustment factors obtained from the Consumer Price Index for all urban consumers in the San Francisco-Oakland SMSA. These adjustments are made so the estimates are converted to current dollars, since we are trying to assess the relative increase in income expenditures for housing. Mean household income estimates are converted to median household income estimates by multiplying the 1981 mean household income estimate by the 1979-1981-mean-to-median ratio for the county where the jurisdiction is located and then dividing by the mean-to-median household income ratio for the jurisdiction reported in the 1980 Census data. This assumes that the mean-to-median relationships have changed uniformly within the county. The mean-to-median ratio data for each county is obtained from a study by ABAG using Franchise Tax Board data to assess income dispersion between 1978 and 1985. This method is repeated for the 1988 mean household income estimate except the estimate is multiplied by the 1981-1985-mean-to-median ratio for the county where the jurisdiction is located and the result is divided by the just-calculated 1981-mean-to-median ratio for the jurisdiction.

Calculations for the owner-occupied housing cost to income ratios require that the difference of the natural logarithms of the housing values for 1981 and 1988

be divided by the difference of the natural logarithms of the estimated median household income estimates for the same years, and then multiplied by the proportion of owner-occupied housing in the jurisdiction. Once again, logarithmic functions are used because they increase the sensitivity in the difference in the numerator and denominator in the ratio by measuring constant rates of continuous growth. Similarly, calculations for the renter-occupied housing cost to income ratios require that the difference of the natural logarithms of the median contract rents be divided by the difference of the natural logarithms of the estimated median household incomes and then multiplied by the proportion of renter-occupied housing in the jurisdiction.

The owner/renter proportions reported in the 1980 Census data are used. Franchise Tax Board data on the proportion of tax returns claiming renters' credits reported in each county over a ten-year period from 1976-1986 shows that the proportion of renters in each county is relatively stable. Assuming the proportion of renters in each jurisdiction also remains stable, the 1980 Census data is used.

Although the housing cost to income ratios are calculated for each jurisdiction, data representing the county was used to calculate these variables for the unincorporated parts of each county.

Step 3: Calculate the available vacancy rate (AVR), which measures the proportion of available housing that is vacant and available for renter or owner occupancy on January 1, 1988. The number of households is subtracted from the number of available housing units and the result is divided by the number of available housing units. Each jurisdiction, including the county remainders, has its own AVR.

Step 4: Calculate the optimal vacancy rate (OVR), which is based largely on the available vacancy rate, but also reflects adjustment based on a combination of the available vacancy ratio, the housing cost to income ratios, and the available vacancy rate. Also reflected in the optimal rate is a regional vacancy

goal, postulated at 4.5%, which is used as a weighting factor in adjusting each jurisdiction's available rate to its optimal rate. Where the optimal vacancy rate for a county remainder is calculated to be significantly greater than 5%, it is forced to 5% when used to calculate existing and projected housing needs. As with the AVR, each jurisdiction has its own OVR.

As the list of formulas earlier in this appendix shows, the process described above for calculating the OVR is an algebraic reduction of more complicated formulas. An explanation of the mathematical and economic theory of the optimal vacancy rate is provided at the end of this appendix.

Step 5: Calculate the existing housing need (NE), which is the number of housing units needed to increase the housing stock so that the optimal vacancy rate is achieved. If the 1988 available stock had been increased by this number of housing units, there would theoretically have been enough housing to have kept the market in a better balance between demand and supply than was the case. That is, prices and rents would have increased more in line with household incomes. Moreover, those seeking housing in the area would theoretically have had a similar range of choices in terms of the number and price range of units available in 1988 as in the 1970s. Algebraically, this calculation consists of dividing the number of households in the jurisdiction by one minus the optimal vacancy rate, and then subtracting the number of available housing units from the result. Where the calculation results in a negative number, zero is substituted.

(2) Calculating the Growth Need

The growth need (NG) is the number of units minimally needed to provide for projected household growth in the jurisdiction's sphere of influence and, at the same time, move the market toward greater balance between supply and demand. The calculation requires the estimated number of households in the jurisdiction's sphere of influence in 1988 be subtracted from the projected number of households in each

jurisdiction's sphere of influence in 1995 from *Projections 87*; the result is then divided by one minus the optimal vacancy rate for the jurisdiction. In those jurisdictions where the sphere of influence and the geographical boundaries are synonymous, HH 88 is used as the number of households in the sphere. For jurisdictions where the sphere of influence differs from current geographical boundaries, estimates for the number of households in the sphere of influence in 1988 are obtained by assuming the household growth in the city is the same as the household growth in the sphere between 1985 and 1988. The difference between the number of households in the geographical boundaries in 1985 reported by Department of Finance (DOF) and the number of households in the geographical boundaries in 1988 reported by DOF is calculated; this difference is added to the 1985 projected households for each jurisdiction reported in *Projections 87*.

(3) Calculating Housing Need Associated with Jobs/Labor Supply Imbalance

The Attorney General's opinion mentioned earlier in this appendix suggests that council of governments should consider local zoning policies other than those currently existing. ABAG staff determined that local zoning policies that call for the development of jobs without simultaneous housing development to house the labor supply necessary to fill these jobs do not provide opportunities for residents to live reasonably close to where they work. Such policies also cause housing costs to increase because they do not allow supply to keep up with demand. The housing need associated with the jobs/employed residents imbalance (NJ) is the number of housing units needed to house up to 50% of the workers who must commute from the jurisdictions where they live to the jurisdictions where they work.

The 50% target figure is an arbitrary number set as a regional goal.

The difference between the growth in the number of jobs between 1988 and 1995 for a jurisdiction and the projected growth in the number of employed residents in the same jurisdiction is considered. The projected number of jobs and employed residents for 1988 is interpolated from the projected number of jobs and employed residents reported in *Projections 87*, while the projected number of jobs and employed residents for 1995 are taken directly from the projections document. The difference between the job growth factor and the employed residents growth factor is calculated. If a significantly positive difference is calculated — 500 or greater — the community suffers from a jobs/employed residents imbalance.

Once it is determined that a community has a significant imbalance, the workers-per-household for that jurisdiction for 1995 is calculated by dividing the number of projected employed residents by the number of projected households. Dividing the difference between growth in number of employed residents and growth in number of jobs by the workers-per-household results in the number of households associated with those workers living in other jurisdictions and commuting into the jurisdiction to work. This number is multiplied by $1/2$, assuming that jurisdictions should attempt to reduce these in-commuting workers by up to 50%. Once again, this is an arbitrary number established as a goal for each jurisdiction. As with other types of needs determinations, state law mandates that jurisdictions incorporate these determinations in their housing elements. While it is impossible for most jurisdictions to accommodate a goal of housing 100% of the in-commuters, it is possible for most to reach the 50% level. Additionally, a reduction of this size in the number of in-commuters would be a significant reduction in the congestion associated with current commuting patterns.

Next, the 1985 ratio of jobs to employed residents in each jurisdiction is calculated to determine whether the jurisdiction has historically been a provider of housing for residents who work elsewhere. This is done so that the additional housing needs allocated to

these communities is reduced because they have historically provided housing. If the ratio is greater than one, the number of households associated with the jobs/employed residents imbalance remains as calculated above. If the ratio is less than one, which indicates that the community has historically provided housing, the ratio is used to deflate the number of households calculated above because the jurisdiction has independently developed policies that work to reduce the jobs/employed residents imbalance. The deflation is accomplished by multiplying the ratio of 1985 jobs to employed residents by the number of households calculated above. This new calculation is the number of households now associated with the jobs/labor supply imbalance.

Table A-1 shows the affected jurisdictions, and how each contributes to meeting the housing need associated with the alternative zoning. The percentages shown for each jurisdiction should be compared to the 50% regional goal; in some cases the housing need for the alternative zoning component reflects a need to house as little as 8% of the labor supply needed to be consistent with projected employment.

Calculating the Total Projected Housing Need

The total housing need (TNP) is the sum of the existing need, the growth need, and the need associated with the jobs/labor supply imbalance.

TABLE A-1
ALTERNATIVE ZONING AND VARYING GOALS TO HOUSE INCOMMUTERS

JURISDICTION	HOUSING NEED ASSOCIATED WITH ALTERNATIVE ZONING	REVISED PERCENT GOAL OF NET INCOMMUTERS TO HOUSE
ALAMEDA	441	44%
BERKELEY	1,142	50%
FREMONT	496	26%
LIVERMORE	582	37%
NEWARK*	608	36%
OAKLAND	2,136	50%
PLEASANTON	1,194	32%
CONCORD	840	37%
EL CERRITO	101	21%
PLEASANT HILL	779	42%
SAN RAMON	602	37%
WALNUT CREEK	1,509	50%
LARKSPUR	202	50%
NOVATO	814	31%
SAN RAFAEL	334	50%
AMERICAN CANYON	73	8%
NAPA CO. REM.	124	35%
SAN FRANCISCO	12,311	50%
BELMONT	200	38%
BRISBANE	451	50%
BURLINGAME	376	50%
EAST PALO ALTO	39	8%
FOSTER CITY	206	21%
MENLO PARK	1,041	50%
REDWOOD CITY	1,309	43%
SAN BRUNO	761	28%
SAN CARLOS	209	50%
SAN MATEO	949	48%
S. SAN FRANCISCO	769	50%
CAMPBELL	470	50%
CUPERTINO	1,343	50%
GILROY	1,242	49%
MILPITAS*	1,929	41%
MOUNTAIN VIEW	1,042	50%
SAN JOSE	6,061	36%
SANTA CLARA	1,981	50%
SUNNYVALE	417	50%
ROHNERT PARK	274	25%
SANTA ROSA	761	50%

* Reflects revision. Alternative zoning was also eliminated for Morgan Hill; see Appendix F.

Theoretical Explanation of the Optimal Vacancy Rate

After calculating the three ratios (a), (b), and (c), they are summed in the following manner:

$$fu = \frac{a+(b+c)}{20} - .1$$

Ratios (b) plus (c), combined, are given equal weight to ratio (a) in the formulas. Thus, if they sum to a value to 2, then the existing available vacancy rate would be the optimal rate and the existing need would be 0. Also, a floor constraint is set, such that (a) ≥ 1.0 and (b) plus (c) ≥ 1.0 . This implies that the optimal rate cannot be less than the available vacancy rate, and there cannot be a “negative housing need.” The larger the variance (fu) from zero, the greater the implied disequilibrium with respect to excess demand over supply.

After calculating the variance factor, a weight is applied to adjust for a Regional Vacancy Goal ratio. This ratio is used to adjust the difference between a jurisdiction’s vacancy rate and the regional vacancy goal of 4.5% for all housing. The reciprocal of the ratio (jurisdiction vacancy rate/Regional Vacancy Goal) is a multiplier which is applied to the variance factor (fu) to calculate a weighted variance factor (fw). The multiplier is used to minimize any potential bias against jurisdictions that may have high initial vacancy rates. Generally, these jurisdictions are older and have a higher proportion of units that are substandard. Since substandard units do not generally turn over as fast, they create artificially higher vacancy rates that do not reflect actual demand in a jurisdiction for adequate housing.

Next, a coefficient of shortfall is calculated. This coefficient represents the deficiency by which the existing vacancy rate must be adjusted in order to obtain the optimal vacancy rate. If the local market is near equilibrium, then the variance approaches 0.0.

A shortfall coefficient of 1.0 equals the existing vacancy rate, and the existing need would be zero. That is,

$$\frac{1}{1 + 0} = 1.0$$

After calculating this coefficient, it is used to raise the existing rate to an optimal level by use of a power function. A power function (y^x) is used where: y =calculated vacancy rate and x =the short-fall coefficient. This function is used because it suggests a relationship that best measures severity of the housing short-fall and is not linear, but increases the upward movement of the optimal vacancy rate at an increasing rate as the coefficient of shortfall diverges from 1.0. As a measure of elasticity, for every 0.01 decline in the severity coefficient there is an approximate 4% decline in the available vacancy rate needed to move the market near equilibrium. Now, assume that the available vacancy rate in a community is .038 or 3.8% of the available housing stock. If the available rate is raised to the power of the shortfall coefficient ($0.038^{.8704}$), the optimal vacancy rate should be closer to 5.8% than to 3.8%. The difference between the two numbers implies a housing production shortfall.

San Francisco Bay Area Housing Needs Determinations

Appendix B. Model Resolution

A local government may use this resolution to revise their share of the regional housing need.

ABAG requests revisions, if any, be made, effective December 13, 1988.

Local Government Revision of Housing Needs Determinations

WHEREAS, the Association of Bay Area governments is the council of governments (hereinafter “ABAG”) under the Joint Exercise of Powers Act for the San Francisco Bay Area; and

WHEREAS, each council of governments is required by Section 65584 of the Government Code, as added by Chapter 1143, Statutes of 1980 (hereinafter “Section 65584”), to determine the existing and projected housing needs for its region; and

WHEREAS, each council of governments is further required to determine each city’s and county’s share of the regional housing needs; and

WHEREAS, ABAG’s staff has prepared and circulated, for public review and comment, a draft *Housing Needs Determinations* report meeting the requirements of Section 65584; and

WHEREAS, on September 15, 1988, ABAG’s Executive Board considered the proposed *Housing Needs Determinations* report and comments thereon; and

WHEREAS, the ABAG Executive Board found such report includes consideration of all factors listed in Section 65584 in proposing the initial determination of regional housing needs; and

WHEREAS, the *Housing Needs Determinations* report was approved by the ABAG Executive Board for the purpose of beginning the official review and revision of the determinations contained therein; and

WHEREAS, ABAG’s staff have worked with the staff of the (name of jurisdiction) to ensure that the most complete and reliable information has been used in

the determination of housing needs for this jurisdiction; and

WHEREAS, the (name of jurisdiction) desires to revise its share of the regional housing need based on available data and accepted planning methodology in accordance with the requirements of Section 65584;

NOW THEREFORE BE IT

RESOLVED, that, pursuant to Section 65584, the (name of jurisdiction) revises its share of the regional housing need, as contained in the September, 15, 1988, *Housing Needs Determinations* report published by ABAG; and be it further

RESOLVED, that this revision is made effective December 13, 1988; and be it further

RESOLVED, that the revision, and the data and methodology used to support such revision, is described in the attached report; and be it further

RESOLVED, that the ABAG Executive Board is requested to act on such revision in accordance with the requirements of Section 65584; and be it further

RESOLVED, that a copy of this resolution and the attached report be transmitted to the Executive Director of the Association of Bay Area Governments.

Appendix C. Analysis of Overpaying

According to State law, a lower-income household that pays more than 25% of its income for housing is living in unaffordable housing. The household is “overpaying” for housing. California’s definition of “overpaying” is more sensitive to questions of affordability than the federal government’s. The federal threshold to measure overpaying is 30%. Customarily, household incomes are divided into four categories: very low-, low-, moderate-, and above moderate-income. Each category corresponds to a proportion of the region’s household income distribution. The lower-income distinction includes both the very low- and low-income categories, and represents households with incomes up to 80% of the regional median household income. The 1980 Census reports a regional median household income in 1979 of \$20,607, so lower-income households are those with an income of \$16,486 or less. As part of the analysis of existing housing needs, it is useful to highlight the proportions of lower-income renter households and owner households that overpay for housing.

The 1980 Census shows the total number of renter households and the total number of owner households. Dividing the number of lower-income renter households by the total number of renter households yields the proportion of lower-income renter households to all renter households. A similar process yields the proportion of lower-income owner households to all owner households. These proportions multiplied by the total number of renter households and the total number of owner households results in the number of lower-income renter households and the number of lower-income owner households in each jurisdiction.

The next step involves calculating the number of lower-income households which pay more than 25% of their income for housing. The Census data are

divided into categories according to the percentage of household income paid for housing. Therefore, this step simply means that the number of lower-income households paying more than 25% of their income for housing are added together. The data are separated into income groupings of \$4,999 for the bottom portion of the income distribution. Therefore, the number of households paying more than 25% of household income for housing with household income between \$15,000 and \$16,486 must be estimated. Assuming the number of households in the \$15,000-19,999 range are evenly distributed, the difference between \$19,999 and \$16,486 is calculated. This difference divided by 4,999 yields the proportion of the \$15,000-19,999 range between \$15,000 and \$16,486. This proportion multiplied by the number of households falling in the \$15,000-19,999 range results in an estimate of the number of households in the \$15,000-\$16,486 range.

After the number of lower-income renter households paying more than 25% of their income for housing is calculated, it is divided by the number of lower-income renter households in each jurisdiction. This calculation shows the proportion of lower-income renter households overpaying for housing in each jurisdiction. Similarly, the number of lower-income owner households paying more than 25% of their income for housing is divided by the number of lower-income owner households in each jurisdiction to obtain the proportion of lower-income owners overpaying for housing.

The method described above assumes that the households in the Census category where the proportion of housing cost to income is not computed in the Census data are not overpaying for housing.

Tables C-1 through C-8 show the proportions of lower-income households overpaying for housing in each jurisdiction. A noteworthy but not surprising result is that, in a majority of the jurisdictions, there are greater proportions of lower-income renter households overpaying for housing than lower-income owners.

TABLE C-1
OVERPAYING - ALAMEDA COUNTY AND CITIES

CITY	# OF LOW INCOME HOUSEHOLDS OWNING	# OF LOW INCOME HOUSEHOLDS RENTING	# OF LOW INCOME HH OVERPAYING (OWNERS)	# OF LOW INCOME HH OVERPAYING (RENTERS)	PROPORTION OF LOW INC OWNERS OVERPAYING	PROPORTION OF LOW INC RENTERS OVERPAYING
ALAMEDA	3,163	8,741	973	5,890	0.31	0.67
ALBANY	1,380	2,164	372	1,345	0.27	0.62
BERKELEY	5,234	20,309	2,007	14,731	0.38	0.73
DUBLIN	420	361	266	266	0.63	0.74
EMERYVILLE	496	751	42	458	0.08	0.61
FREMONT	4,073	7,215	2,019	5,739	0.50	0.80
HAYWARD	4,734	8,460	1,734	6,232	0.37	0.74
LIVERMORE	1,849	2,291	1,042	1,693	0.56	0.74
NEWARK	1,069	920	572	720	0.54	0.78
OAKLAND	22,498	58,213	8,061	39,216	0.36	0.67
PIEDMONT	579	147	245	85	0.42	0.58
PLEASANTON	1,041	1,323	569	990	0.55	0.75
SAN LEANDRO	5,256	5,842	1,285	4,209	0.24	0.72
UNION CITY	1,341	1,701	582	1,176	0.43	0.69

TABLE C-2
OVERPAYING - CONTRA COSTA COUNTY AND CITIES

CITY	# OF LOW INCOME HOUSEHOLDS OWNING	# OF LOW INCOME HOUSEHOLDS RENTING	# OF LOW INCOME HH OVERPAYING (OWNERS)	# OF LOW INCOME HH OVERPAYING (RENTERS)	PROPORTION OF LOW INC OWNERS OVERPAYING	PROPORTION OF LOW INC RENTERS OVERPAYING
ANTIOCH	2,283	3,219	1,003	2,212	0.44	0.69
BRENTWOOD	366	460	113	269	0.31	0.58
CLAYTON	111	28	43	18	0.39	0.64
CONCORD	4,475	7,885	2,054	6,166	0.46	0.78
DANVILLE	590	342	328	295	0.56	0.86
EL CERRITO	1,793	1,758	589	1,258	0.33	0.72
HERCULES	113	36	65	32	0.58	0.89
LAFAYETTE	683	1,064	336	813	0.49	0.76
MARTINEZ	1,072	1,677	385	1,131	0.36	0.67
MORAGA	234	340	131	286	0.56	0.84
ORINDA	542	118	274	92	0.51	0.78
PINOLE	638	561	371	457	0.58	0.81
PITTSBURG	2,253	2,289	1,004	1,523	0.45	0.67
PLEASANT HILL	1,188	2,029	560	1,602	0.47	0.79
RICHMOND	6,299	8,489	2,588	5,332	0.41	0.63
SAN PABLO	1,631	3,054	501	2,119	0.31	0.69
SAN RAMON	491	294	266	229	0.54	0.78
WALNUT CREEK	2,020	3,924	712	3,268	0.35	0.83

**TABLE C-3
OVERPAYING - MARIN COUNTY AND CITIES**

CITY	# OF LOW INCOME HOUSEHOLDS OWNING	# OF LOW INCOME HOUSEHOLDS RENTING	# OF LOW INCOME HH OVERPAYING (OWNERS)	# OF LOW INCOME HH OVERPAYING (RENTERS)	PROPORTION OF LOW INC OWNERS OVERPAYING	PROPORTION OF LOW INC RENTERS OVERPAYING
BELVEDERE	72	98	49	70	0.68	0.71
CORTE MADERA	421	444	209	349	0.50	0.79
FAIRFAX	543	824	235	675	0.43	0.82
LARKSPUR	412	1,229	189	1,009	0.46	0.82
MILL VALLEY	721	1,029	284	825	0.39	0.80
NOVATO	1,410	3,047	646	2,186	0.46	0.72
ROSS	60	104	18	72	0.30	0.69
SAN ANSELMO	987	979	361	780	0.37	0.80
SAN RAFAEL	1,613	5,207	665	4,148	0.41	0.80
SAUSALITO	270	946	89	814	0.33	0.86
TIBURON	263	279	115	212	0.44	0.76

**TABLE C-4
OVERPAYING - NAPA COUNTY & CITIES AND
CITY & COUNTY OF SAN FRANCISCO**

CITY	# OF LOW INCOME HOUSEHOLDS OWNING	# OF LOW INCOME HOUSEHOLDS RENTING	# OF LOW INCOME HH OVERPAYING (OWNERS)	# OF LOW INCOME HH OVERPAYING (RENTERS)	PROPORTION OF LOW INC OWNERS OVERPAYING	PROPORTION OF LOW INC RENTERS OVERPAYING
CALISTOGA	589	554	131	375	0.22	0.68
NAPA	3,266	4,722	1,310	3,567	0.40	0.76
ST. HELENA	404	674	100	379	0.25	0.56
YOUNTVILLE	210	169	21	119	0.10	0.70
SAN FRANCISCO	32,252	122,865	9,609	85,004	0.30	0.69

**TABLE C-5
OVERPAYING - SAN MATEO COUNTY AND CITIES**

CITY	# OF LOW INCOME HOUSEHOLDS OWNING	# OF LOW INCOME HOUSEHOLDS RENTING	# OF LOW INCOME HH OVERPAYING (OWNERS)	# OF LOW INCOME HH OVERPAYING (RENTERS)	PROPORTION OF LOW INC OWNERS OVERPAYING	PROPORTION OF LOW INC RENTERS OVERPAYING
ATHERTON	228	31	149	18	0.65	0.58
BELMONT	743	1,759	345	1,437	0.46	0.82
BRISBANE	274	306	90	191	0.33	0.62
BURLINGAME	1,388	3,417	507	2,654	0.37	0.78
COLMA	9	44	7	30	0.78	0.68
DALY CITY	3,623	6,000	1,512	4,489	0.42	0.75
EAST PALO ALTO	1,281	2,495	636	1,899	0.50	0.76
FOSTER CITY	481	1,149	280	992	0.58	0.86
HALF MOON BAY	360	378	181	237	0.50	0.63
HILLSBOROUGH	261	59	166	9	0.64	0.15
MENLO PARK	1,343	2,623	506	2,085	0.38	0.79
MILLBRAE	975	1,177	355	935	0.36	0.79
PACIFICA	1,558	2,040	829	1,558	0.53	0.76
PORTOLA VALLEY	69	46	42	17	0.61	0.37
REDWOOD CITY	2,564	6,711	928	5,121	0.36	0.76
SAN BRUNO	1,792	2,565	662	1,934	0.37	0.75
SAN CARLOS	1,508	1,382	611	1,110	0.41	0.80
SAN MATEO	3,747	7,594	1,377	5,972	0.37	0.79
S. SAN FRANCISCO	2,412	3,351	871	2,399	0.36	0.72
WOODSIDE	177	77	53	23	0.30	0.30

**TABLE C-6
OVERPAYING - SANTA CLARA COUNTY AND CITIES**

CITY	# OF LOW INCOME HOUSEHOLDS OWNING	# OF LOW INCOME HOUSEHOLDS RENTING	# OF LOW INCOME HH OVERPAYING (OWNERS)	# OF LOW INCOME HH OVERPAYING (RENTERS)	PROPORTION OF LOW INC OWNERS OVERPAYING	PROPORTION OF LOW INC RENTERS OVERPAYING
CAMPBELL	1,037	3,618	339	2,864	0.33	0.79
CUPERTINO	842	1,575	425	1,319	0.50	0.84
GILROY	948	1,848	382	1,263	0.40	0.68
LOS ALTOS	866	486	401	367	0.46	0.76
LOS ALTOS HILLS	172	73	111	57	0.65	0.78
LOS GATOS	1,063	1,869	408	1,510	0.38	0.81
MILPITAS	1,141	1,465	605	1,157	0.53	0.79
MONTE SERENO	155	25	80	20	0.52	0.80
MORGAN HILL	479	959	251	755	0.52	0.79
MOUNTAIN VIEW	1,891	8,291	510	6,445	0.27	0.78
PALO ALTO	2,165	4,948	717	3,646	0.33	0.74
SAN JOSE	22,126	45,282	10,156	33,967	0.46	0.75
SANTA CLARA	3,228	8,592	1,110	6,685	0.34	0.78
SARATOGA	834	509	420	327	0.50	0.64
SUNNYVALE	3,282	9,052	1,168	7,109	0.36	0.79

**TABLE C-7
OVERPAYING - SOLANO COUNTY AND CITIES**

CITY	# OF LOW INCOME HOUSEHOLDS OWNING	# OF LOW INCOME HOUSEHOLDS RENTING	# OF LOW INCOME HH OVERPAYING (OWNERS)	# OF LOW INCOME HH OVERPAYING (RENTERS)	PROPORTION OF LOW INC OWNERS OVERPAYING	PROPORTION OF LOW INC RENTERS OVERPAYING
BENICIA	810	1,052	265	714	0.33	0.68
DIXON	481	468	214	317	0.44	0.68
FAIRFIELD	2,341	5,842	1,109	3,289	0.47	0.56
RIO VISTA	246	282	79	154	0.32	0.55
SUISUN CITY	340	793	252	549	0.74	0.69
VACAVILLE	2,167	2,900	969	2,094	0.45	0.72
VALLEJO	5,844	7,309	2,294	4,469	0.39	0.61

**TABLE C-8
OVERPAYING - SONOMA COUNTY AND CITIES**

CITY	# OF LOW INCOME HOUSEHOLDS OWNING	# OF LOW INCOME HOUSEHOLDS RENTING	# OF LOW INCOME HH OVERPAYING (OWNERS)	# OF LOW INCOME HH OVERPAYING (RENTERS)	PROPORTION OF LOW INC OWNERS OVERPAYING	PROPORTION OF LOW INC RENTERS OVERPAYING
CLOVERDALE	378	322	112	141	0.30	0.44
COTATI	150	547	52	419	0.35	0.77
HEALDSBURG	661	711	200	483	0.30	0.68
PETALUMA	1,984	2,313	840	1,757	0.42	0.76
ROHNERT PARK	1,165	1,993	567	1,617	0.49	0.81
SANTA ROSA	6,017	9,227	2,197	6,921	0.37	0.75
SEBASTOPOL	499	773	144	594	0.29	0.77
SONOMA	695	601	199	473	0.29	0.79

**Appendix D.
Attorney
General's
Opinion No.
87-206**

The Attorney General's opinion is reproduced completely on the following pages.

Opinion No. 87-206—September 29, 1987

SUBJECT: REGIONAL HOUSING NEEDS—Analysis of a city's or county's share of regional housing needs as determined by a council of governments and set forth in its general plan.

Requested by: MEMBER, CALIFORNIA STATE SENATE

Opinion by: JOHN K. VAN DE KAMP, Attorney General
Rodney O. Lilyquist, Deputy

The Honorable David Roberti, Member, California State Senate, has requested an opinion on the following questions concerning the determination of a locality's share of the regional housing needs by a council of governments:

1. Must the determination include both the existing and projected housing needs of the locality?
2. Must the availability of suitable housing sites be considered based upon the existing zoning ordinances and land use restrictions of the locality or based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions?
3. Must the income categories of sections 6910–6932 of title 25 of the California Administrative Code be used?

CONCLUSIONS

1. The determination of a locality's share of the regional housing needs by a council of governments must include both the existing and projected housing needs of the locality.
2. The availability of suitable housing sites must be considered based not only upon the existing zoning ordinances and land use restrictions of the locality but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions.
3. The income categories of sections 6910–6932 of title 25 of the California Administrative Code must be used.

ANALYSIS

The three questions presented for analysis concern a city's or county's share of regional housing needs as determined by a council of governments and set forth in its general plan. In analyzing these questions we preliminarily note that every city and county operates under a comprehensive and long-term general plan to guide its future physical development. (Gov. Code, § 65300; Buena Vista Garden Apartments Assn. v. City of San Diego Planning Dept. (1985) 175 Cal. App. 3d 289, 294.)¹ "The general plan is atop the hierarchy of local government law regulating land use."

¹ All section references hereafter to the Government Code are by section number only.

(*Neighborhood Action Group v. County of Calaveras* (1984) 156 Cal. App. 3d 1176, 1183.) Section 65300 states:

"Each planning agency shall prepare and the legislative body of each county and city shall adopt a comprehensive, long-term general plan for the physical development of the county or city, and of any land outside its boundaries which in the planning agency's judgment bears relation to its planning. Chartered cities shall adopt general plans which contain the mandatory elements specified in Section 65302."

Section 65302 provides:

"The general plan shall consist of a statement of development policies and shall include a diagram or diagrams and text setting forth objectives, principles, standards, and plan proposals. The plan shall include the following elements:

"

"(c) A housing element as provided in Article 10.6 (commencing with Section 65580).

" "

The "housing element as provided in Article 10.6" (§§ 65580–65589.8) must meet detailed requirements. Section 65583 provides:

"The housing element shall consist of an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives, and scheduled programs for the preservation, improvement, and development of housing. The housing element shall identify adequate sites for housing, including rental housing, factory-built housing, and mobilehomes, and shall make adequate provision for the existing and projected needs of all economic segments of the community. The element shall contain all of the following:

"(a) An assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs. The assessment and inventory shall include the following:

"(1) Analysis of population and employment trends and documentation of projections and a quantification of the locality's existing and projected housing needs for all income levels. These existing and projected needs shall include the locality's share of the regional housing need in accordance with Section 65584.

" "

Section 65584 states:

"(a) For purposes of subdivision (a) of Section 65583, a locality's share of the regional housing needs includes that share of the housing need of persons at all income levels within the area significantly affected by a

jurisdiction's general plan. The distribution of regional housing needs shall, based upon available data, take into consideration market demand for housing, employment opportunities, the availability of suitable sites and public facilities, commuting patterns, type and tenure of housing need, and the housing needs of farmworkers. The distribution shall seek to avoid further impactation of localities with relatively high proportions of lower income households. Based upon data provided by the Department of Finance, in consultation with each council of government, the Department of Housing and Community Development shall determine the regional share of the statewide housing need at least two years prior to the second revision, and all subsequent revisions as required pursuant to Section 65588. Based upon data provided by the Department of Housing and Community Development relative to the statewide need for housing, each council of governments shall determine the existing and projected housing need for its region. Within 30 days following notification of this determination, the Department of Housing and Community Development shall ensure that this determination is consistent with the statewide housing need and may revise the determination of the council of governments if necessary to obtain this consistency. Each locality's share shall be determined by the appropriate council of governments consistent with the criteria above with the advice of the department subject to the procedure established pursuant to subdivision (c) at least one year prior to the second revision, and at five-year intervals following the second revision pursuant to Section 65588.

"(b) For areas with no council of governments, the Department of Housing and Community Development shall determine housing market areas and define the regional housing need for localities within these areas. Where the department determines that a local government possesses the capability and resources and has agreed to accept the responsibility, with respect to its jurisdiction, for the identification and determination of housing market areas and regional housing needs, the department shall delegate this responsibility to the local governments within these areas.

" "

Section 65584 gives the Department of Housing and Community Development ("Department") various responsibilities including the duty to define the regional housing need for localities² in areas not covered by a council of governments, unless it has delegated such authority to a local government. For cities and counties located in areas served by a council of governments, the council performs this function.

Section 65584 requires the Department or a council to act when a housing element of a city or county is revised "pursuant to Section 65588." The latter statute designates various dates for housing element revisions, including for areas covered by specified councils of governments:

² Throughout the statutory scheme "locality" is used interchangeably with "community," "local government," and "jurisdiction" and means either the city or the county (or San Francisco which is a city and county). (§ 65582, subd. (a).)

"(1) Local governments within the regional jurisdiction of the Southern California Association of Governments: July 1, 1984, for the first revision and July 1, 1989, for the second revision.

"(2) Local governments within the regional jurisdiction of the Association of Bay Area Governments: January 1, 1985, for the first revision, and July 1, 1990, for the second revision.

"(3) Local governments within the regional jurisdiction of the San Diego Association of Governments, the Council of Fresno County Governments, the Kern County Council of Governments, the Sacramento Council of Governments, and the Association of Monterey Bay Area Governments: July 1, 1985, for the first revision, and July 1, 1991, for the second revision."

Thereafter a housing element revision is required "not less than every five years." (§ 65588, subd. (b).)

The focus of the three inquiries is directed at both sections 65583 and 65584. Several well-recognized principles of statutory construction aid our analysis of these legislative enactments. In construing statutory language, we are to "ascertain the intent of the Legislature so as to effectuate the purpose of the law." (Select Base Materials v. Board of Equal. (1959) 51 Cal. 2d 640, 645; *accord* People v. Davis (1981) 29 Cal. 3d 814, 828.) "In determining such intent, the court 'turns first to the words themselves for the answer' [citations]." (People v. Craft (1986) 41 Cal. 3d 554, 560.) The words are to be given "their ordinary and generally accepted meaning." (People v. Castro (1985) 38 Cal. 3d 301, 310.) Moreover, "legislation should be construed so as to harmonize its various elements without doing violence to its language or spirit." (Wells v. Marina City Properties, Inc. (1981) 29 Cal. 3d 781, 788.) "Wherever reasonable, interpretations which produce internal harmony, avoid redundancy and accord significance to every word and phrase are preferred." (Pacific Legal Foundation v. Unemployment Ins. Appeals Bd. (1981) 29 Cal. 3d 101, 114.) "Interpretive constructions which render some words surplusage, defy common sense, or lead to mischief or absurdity, are to be avoided." (California Mfrs. Assn. v. Public Utilities Com. (1979) 24 Cal. 3d 836, 844.)

1. Existing and Projected Housing Needs

The first question posed is whether the council's determination of a locality's share³ is to include both the existing and projected³ housing needs of the locality. We conclude that it does.

Section 65584 directs a council to "determine the existing and projected housing need for its region." The purpose of such determination is to calculate and apportion shares of this need to all cities and counties in the region. "Each locality's share shall be determined by the appropriate council of governments." (§ 65584, subd. (a).)

Two components thus comprise the regional housing need: the existing housing need and the projected housing need. When shares of the regional housing need are

³ A locality's "projected" housing needs would be those for the next five-year period. (See § 65583, subds. (b), (c).)

apportioned to the communities in the area, each share contains both components. No provision of the statute remotely suggests that one of the necessary components is to be omitted when apportioning shares.

Such construction of section 65584 is supported by the language of section 65583. As previously quoted, the latter statute requires that the housing element of a city or county contain "a quantification of the locality's existing and projected housing needs for all income levels." It then provides: "These existing and projected needs shall include the locality's share of the regional housing need in accordance with Section 65584." Hence the reference in section 65583 to "existing and projected housing needs" in conjunction with "the locality's share of the regional housing need" clearly indicates that the latter incorporates both components.

One of the purposes of the legislation governing housing elements is "[t]o ensure that each local government cooperates with other local governments in order to address regional housing needs." (§ 65581, subd. (d).) Regional housing needs include both existing and projected needs. (§ 65584, subd. (a).) Both components are "addressed" by apportioning shares thereof to each community in the region. By so construing section 65584, we give each of its provisions meaning and carry out the apparent intent of the Legislature.

In answer to the first question, therefore, we conclude that the determination of a locality's share of the regional housing needs by a council of governments must include both the existing and projected housing needs of the locality.

2. Current Zoning Ordinances

The second question concerns whether in making its determination of a locality's share of the regional housing needs, a council of governments is to consider the availability of suitable housing sites based upon the existing zoning ordinances and land use restrictions of the locality or upon alternative zoning ordinances and land use restrictions that would allow the potential for increased residential development. We conclude both existing and alternative zoning ordinances and land use restrictions must be considered.

The council of governments is directed to determine a locality's share of the regional housing needs based upon the following criteria:

"The market demand for housing, employment opportunities, the availability of suitable sites and public facilities, commuting patterns, type and tenure of housing need, and the housing needs of farmworkers [and the avoidance of] further impaction of localities with relatively high proportions of lower income households." (§ 65584, subd. (a).)

We find no indication in section 65584 that current zoning ordinances and land use restrictions are to limit the factor of "the availability of suitable sites." A housing site would be unsuitable based upon its physical characteristics, not because of some governmental control of an artificial and external nature. The planning process of sections 65583 and 65584 contemplates an identification of adequate sites that *could* be made available through different policies and development standards. Existing zoning policies would be only one aspect of the "available data" upon which the factor

of "the availability of suitable sites" is to be considered under section 65584. To argue that this part of the general plan is required to conform to existing zoning practices would be anomalous and circuitous, since section 65860 requires the zoning ordinances of a locality to be consistent with its general plan. Subdivision (d) of section 65584 emphasizes this fact by expressly providing that a local government's share of the regional housing need is not subject to reduction, except in one narrow circumstance, by:

" . . . any ordinance, policy, or standard of a city, county, or city and county which directly limits, by number, the building permits which may be issued for residential construction, or which limits for a set period of time the number of buildable lots which may be developed for residential purposes."

Our construction of section 65584 is consistent with the goals of the statutory scheme as a whole (§§ 65580–65589.8) and the particular requirements specified for housing elements (§ 65583). The legislation has as its primary purpose "to expand housing opportunities and accommodate the housing needs of Californians of all economic levels." (§ 65580, subd. (b).) Cities and counties are directed to "recognize their responsibilities in contributing to the attainment of the state housing goal." (§ 65580, subd. (a).) Each local government is "to cooperate with other local governments and the state in addressing regional housing needs." (§ 65580, subd. (e).) Allowing a city or county to prevent being allocated a share of the regional housing needs through restricted zoning ordinances would be contrary to the manifest intent of the Legislature.⁴

The housing element of a local government must specifically include:

"An inventory of land suitable for residential development, including vacant sites and sites having potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites." (§ 65583, subd. (a)(3).)

It is the "relationship" of current zoning ordinances that must be considered with respect to suitable housing sites. No hint of *limitation* may be found in the use of the term "relationship." Section 65583 also requires that a housing element include a five-year program that will:

"Identify adequate sites which will be made available through appropriate zoning and development standards and with public services and facilities needed to facilitate and encourage the development of a variety of types of housing for all income levels. . . ." (§ 65583, subd. (c)(1).)

Such language unmistakably contemplates that zoning ordinances and land use restrictions may require modification during the five-year period to accommodate a locality's projected housing needs. Consistent with this interpretation is the requirement that the five-year program:

"Address and, where appropriate and legally possible, remove

⁴ The only authorized exception is a locality's "moratorium on residential construction for a set period of time in order to preserve and protect the public health and safety." (§ 65584, subd. (d)(2).)

governmental constraints to the maintenance, improvement, and development of housing." (§ 65583, subd. (c)(3).)

These "governmental constraints" must be analyzed in detail in the housing element; the element must contain:

"Analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures." (§ 65583, subd. (a)(4).)

In sum, a local government must provide in its housing element for the existing and projected housing needs of all economic segments of the community. (§ 65583.) In doing so, it is required to identify suitable housing sites. (§ 65583, subd. (a)(3).) The city or county must identify those sites "which will be made available through appropriate zoning and development standards" during the ensuing five-year period. (§65583, subd. (c)(1).) It must "undertake to implement the policies and achieve the goals and objectives of the housing element through the administration of land use and development controls." (§ 65583, subd. (c).) The required consideration and evaluation of zoning changes necessary to meet the identified needs of the community would be precluded by allowing existing zoning limitations to define what housing sites are "suitable."

A council of governments thus would not be able to perform the task mandated for it without consideration of land uses that are possible despite existing zoning restrictions. The "suitable sites" factor to be considered by a council pursuant to section 65584 must be read in conjunction with the phrase "land suitable for residential development" of section 65583 that requires consideration of zoning limitations but is not limited to lands presently zoned for such development.

In answer to the second question, therefore, we conclude that a council of governments must consider the availability of suitable housing sites based not only upon the existing zoning ordinances and land use restrictions of the locality but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions when determining a locality's share of the regional housing needs.

3. Calculation of Income Levels

The third question presented is whether a council of governments is required to follow the regulations (Cal. Admin. Code, tit. 25, §§ 6910-6932) of the Department defining income categories when determining a locality's share of the regional housing needs. We conclude that it must.

Regulation 6926 states in part:

"'Very low income households' means persons and families whose gross incomes do not exceed the qualifying limits for very low income families established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937. The qualifying limits are set forth in

Section 6932. These limits are equivalent to 50 percent of the area median income, adjusted for family size by the United States Department of Housing and Urban Development." (Cal. Admin. Code, tit. 25, § 6926, subd.(a).)

Regulation 6928 provides in part:

" 'Lower income households' means persons and families whose gross incomes do not exceed the qualifying limits for lower income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937. The qualifying limits are set forth in Section 6932. These limits are equivalent to 80 percent of the area median income, adjusted for family size and other adjustment factors by the United States Department of Housing and Urban Development." (Cal. Admin. Code, tit. 25, § 6928; subd. (a).)

Regulation 6930 states in part:

" 'Moderate income households' means persons and families who are not 'lower income households' and whose gross incomes do not exceed 120 percent of the area median income adjusted for family size in accordance with adjustment factors adopted by the United States Department of Housing and Urban Development in establishing income limits for lower income families. For purposes of this subchapter, the income limits are set forth in Section 6932." (Cal. Admin. Code, tit. 25, § 6930, subd. (a).)

These regulations are authorized by and are consistent with Health and Safety Code sections 50079.5 (lower income households), 50093 (moderate income households), and 50105 (very low income households).

A council of governments must determine a locality's share of the regional housing needs "of persons at all income levels within the area." (§ 65584, subd.(a).) This determination is to be "[b]ased upon data provided by the Department." (*Ibid.*) It is the Department that assesses the state housing needs upon which the regional housing needs are calculated. The Department is also required to revise any determination of regional housing needs made by a council that is inconsistent with the state housing needs. (*Ibid.*) The Department follows state law (Health & Saf. Code, §§ 50079.5, 50093, 50105; Cal. Admin. Code, tit. 25, §§ 6910–6932) in categorizing income levels for its calculations and the data provided to the councils. For a council to "base" its determinations upon the Department's data, we believe that it is directed to use the income categories selected by the Department. No other definitions of moderate income, lower income, or very low income may be found in state law governing this issue.

We note also that the Legislature has specifically referred to "persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code" when mandating the review and revision of housing elements. (§ 65588, subd.(d).)

Requiring a council of governments to follow the income classifications established by the Legislature and Department provides consistency between sections

65584 and 65588. Such interpretation of the terms of section 65584 facilitates the administration of the state housing laws. Allowing each council of governments, on the other hand, to create its own income classifications would be impractical and would defeat the purpose of meeting the state housing needs in a consistent and effective manner. Uniformity of classification allows the local governments "to cooperate with other local governments and the state in addressing regional housing needs." (§ 65580, subd. (e).)

In answer to the third question, therefore, we conclude that the income categories of sections 6910–6932 of title 25 of the California Administrative Code must be used by a council of governments when determining a locality's share of the regional housing needs.

Appendix E. References

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United States Department of Labor, Bureau of Labor Statistics. *Consumer Price Index, Rent, Residential*. San Francisco–Oakland–San Jose. June 21, 1988.

Appendix F. Local Revisions and Staff Recommendations

January 9, 1989

To: Executive Board

From: Douglas Detling, Assistant to the Executive Director
Raymond Brady, Research Director
Amy Ganulin, Staff Analyst

In September, the Executive Board adopted the initial determinations of regional housing need, and each locality's share of the regional need. This determination—for the period 1988-95—started a 90-day period during which cities and counties could revise the applicable share of the regional housing need, based on available data and accepted planning methods. Under provisions of state law, the Executive Board must take action on each revision. Depending on the factual evidence and the technical adequacy of any alternative method chosen by a jurisdiction to calculate its housing need, the Executive Board can accept the revision, or find the revision inconsistent with the regional housing need. The Executive Board's actions are scheduled for the January 19 meeting.

This memorandum responds to comments made by the California Department of Housing and Community Development (HCD), and responds to issues raised by local governments as part of the revision process. In some cases, these comments were made by cities or counties that did not propose changes to the housing needs determinations. Finally, we summarize revisions by 19 jurisdictions, and the rationale and data cited by cities and counties in making the revisions, and we propose actions for Executive Board consideration.

The ABAG staff believes the actions recommended with respect to the local government revisions are consistent with the requirements of California's housing element law. These actions would reduce the regional housing need by 4,215 units from the original determination of 287,928. The regional need for housing, as revised, is 283,713. Construction of these units would accommodate the number of households projected for the region by HCD (whose household forecast for July 1, 1995 is 11,910 households higher than ABAG's *Projections 87* forecast of 2,420,990).

HCD Comments on Housing Needs Determinations Report

On October 24, HCD sent comments on the *Housing Needs Determinations* report. Five issues were raised in the letter (one of which is covered separately below under General Comments on Spheres of Influence).

1) HCD noted its understanding that the “ending date” of the *Housing Needs Determinations* report is July 1, 1995—the date for which HCD’s household forecasts were made. “We note that the plan provides for slightly higher number of households in 1995 than the determination we [HCD] provided you [ABAG] in June. This is fully acceptable, and it is our interpretation of the law that localities may also choose to plan to house more households, including more lower income households, than they are allocated by the plan.”

Response: ABAG’s projections are for April 1 of the forecast years (e.g., 1995). In part, this explains the difference between ABAG’s and HCD’s household forecasts. Staff proposes to add “April 1” to page 4 of the revised *Housing Needs Determinations* report, to state this. In addition, the housing needs determinations are for “housing units.” Only if occupied on a certain date (e.g., January 1, 1995, or July 1, 1995) do they become “occupied housing units” (that is, “households”).

2) HCD believes that each local government is responsible for continuing to house the total number of households in each income group that it has on the beginning date [January 1, 1988] plus the households by income group allocated in the total projected need. “It is important that local governments understand that it is their obligation to continue to provide housing for their existing households, especially for their existing lower income households. The intent of the total projected need allocations by income group is to relieve lower income impaction. This will not occur unless local governments continue to provide housing opportunities for their existing lower income residents as well as additional opportunities called for in the total projected need allocations.”

Response: ABAG staff concurs in part with HCD’s comment. All local governments under California state law [Government Code Sec. 65583] are responsible for making “adequate provision for the existing and projected needs of all economic segments of the community.” Moreover, local governments have an affirmative obligation to assist in meeting the needs of lower income households in California. Government Code Section 65584, which requires councils of governments such as ABAG to produce housing needs determinations, specifies that the distribution of housing needs “shall seek to avoid further impaction of localities with relatively high proportions of lower income households.”

ABAG’s initial determinations of housing need and the revised housing needs as proposed in this memorandum are consistent with the intent of state law to “seek to avoid further impaction.” Whether impaction has been “relieved” can only be assessed after the target date. This issue is discussed further later in this memo.

3) HCD notes that ABAG's report does not include the number of households by income category on January 1, 1988. HCD suggests that local governments may estimate these figures by using the 1980 Census income group figures shown in Tables 13 through 20 of the report and multiplying them by the 1988 households estimated by the Department of Finance.

Response: ABAG staff concurs with this approach. When local governments update their local housing elements, they must include estimates of existing households by income category. Until 1990 Census data on income distributions become available, at the city level there is no more recent data than the 1980 Census on the distribution of households by income category. ABAG staff also believes that local governments have an affirmative obligation to take all actions to preserve affordable housing opportunities for existing lower income households. In some cases, this may mean taking specific actions to provide replacement housing within the community for households no longer able to occupy assisted housing units (units converted to market rate housing). Special attention should be given to areas or projects in cities containing units indirectly assisted by local government housing authorities or redevelopment agencies.

4) HCD notes that the total projected need, as estimated by ABAG, does not include a component for replacing anticipated normal market removals during the period of the plan. In other words, under normal conditions, it might be expected that some existing housing units might be demolished. HCD recommends that estimates of replacement of removals be made as part of the process of updating local housing elements. Normally these figures are included within the "total construction need" that is typically shown in the housing element.

Response: ABAG staff concurs with this approach. A local government staff person who participated in the development of ABAG's methodology for determining the housing needs advised that ABAG's formulas should not try to project removals at the regional level. "If you don't knock them down, you don't have to replace them." Conservation of the existing housing stock, and replacement of market removals, is most appropriately addressed in individual local government housing elements.

General Comments on Spheres of Influence

HCD commented on this issue in its letter of October 24, referring to an earlier letter to ABAG staff of October 5 (after the initial determinations had been completed).

It is HCD's opinion that councils of governments should "allocate shares of regional housing need based on city boundary lines." The Department also believes that this interpretation does not preclude a council of governments from making an allocation to a city based on the expectation that the city will annex a portion of its sphere of influence to meet its responsibility for planning to accommodate its share of regional growth.

Response: ABAG staff does not disagree with this interpretation; we do differ somewhat with HCD over how this issue (which is both legal and technical) should be addressed in the regional housing needs process. We have communicated these concerns to HCD, and we believe the approach stated below is consistent with state law.

First, state law provides that the housing need for a community is for an area “substantially affected” by the jurisdiction’s general plan. California created Local Agency Formation Commissions. These commissions have—in most cases—adopted spheres of influence for each city within a county. It is anticipated that the city will grow during a 20-year time period to encompass the territory covered by the sphere of influence. ABAG’s projections have always been prepared for the adopted spheres of influence, or an urban service area if that approach is used by a particular county. In some cases, a sphere of influence or urban service area may be coterminous with an existing city boundary, but in most cases it is not.

Second, the ABAG staff does not believe that it is consistent with state law to develop housing needs figures for jurisdictions over a seven-year period using the boundaries of jurisdictions as they exist at the beginning of the time period covered by the housing needs determinations. State law requires that the allocation of housing needs be based on available information; projected household growth for jurisdictions based only on city boundaries is not available.

We agree with HCD that, in the process of reviewing the housing needs determinations (or subsequently when local jurisdictions prepare their housing elements), a city may conclude that portions of growth assigned to it by ABAG’s projections or by the housing needs determinations may be for portions of a sphere of influence that are not likely to be annexed to the city. If so, this need should be accounted for as part of the “county remainder.” Two such revisions were made (by the City of San Rafael and Marin County).

ABAG staff can work with individual jurisdictions (in cooperation with county staffs) to separately reallocate the housing needs determinations as part of the process of revising housing elements. We believe this is also consistent with state law. In all such cases, however, we believe that reallocation of need between a city and a county should also be accompanied by a request from the city to alter the LAFCO sphere of influence boundary for the city. Otherwise, the intent of the LAFCO law would be frustrated by HCD’s interpretation of the housing element law.

General Comments on Production Levels, Goals and Housing Needs

Many local governments when reviewing the September housing needs determinations commented about the likelihood that the housing needs could be met. Sometimes these comments were directed to the allocation of housing need by income category (for example, one jurisdiction that accepted the total number of housing units advocated adding a sentence that the lower income housing need couldn’t be met without increased Federal and State subsidies).

More often, jurisdictions questioned whether ABAG's determinations of "housing need" were realistic or achievable. It is difficult to imagine words with clearer differences in meaning than "need" and "goal" and "production level." A need is determined independent of consideration of whether it can be met. Because a family "needs" shelter is independent of the question whether this need will be met in a particular community. Multiplied a thousand-fold among more than 100 local governments, there can clearly be a difference in the housing need and the likelihood that the need will be met.

The City of San Jose—with relatively large amounts of land proposed for residential development—has the highest determined "need" of any city in the region. As the city points out in its comments, its need exceeds the combined needs of jurisdictions in several counties. The city is planning growth in its housing stock to address the need as part of an ongoing process to meet its needs. This is exactly the process contemplated by State law.

In the case of the housing needs determinations, ABAG staff has clearly tried to specify what portions of the determinations are related to household growth (obviously it is households who most need shelter), and what portions are more speculative (e.g., for higher vacancy rates or to house a greater fraction of people to fill likely future jobs—which might not materialize without a readily available labor force).

Clearly there can be differences of opinion about the need for additional housing in the region. ABAG's "need" is higher than HCD's estimate of need, but lower than the number suggested by the Bay Area Council. But all three agree that it is not appropriate to define the need by determining whether it can be "achieved."

Local governments are not, for the most part, responsible for assuring that region's needed housing is built. Except for housing units built directly or under the auspices of public housing authorities or redevelopment agencies, housing needs are addressed by the private sector. Developers, financing institutions and investors are more directly concerned about production levels in a particular community.

In some cases, actual production can exceed ABAG's estimate of housing need. In others, it is likely that national economic forces (e.g., interest rates, national debt, and balance of trade) will cause production to be lower than needed to meet the housing needs or goals.

Simply stated, local housing elements should account for how the housing needs of a community—including its share of the regional housing need—will be addressed. It is the responsibility of each local government—and indeed the citizens of each city—to address the need for housing. Even if not a single additional person moves to the Bay Area, it is indisputable that the region's existing residents need more housing, and more affordable housing. Local governments have an obligation to make it possible that these needs can be met. By obligation, we mean that local governments will develop policies

(including zoning ordinances) that do not artificially constrain housing production; infrastructure constraints are not artificial unless local agencies make no efforts to overcome them. Under these circumstances, then, whether housing needs will be met is an empirical question to be answered in the future.

Local officials may believe it “unrealistic” to produce housing to meet the needs as suggested by ABAG. ABAG staff agrees that meeting the needs will be difficult. But the fact is that the Bay Area faces a crisis in housing costs and affordability. This crisis requires the marshaling of public and private policies to minimize its impact on the economy and on the ability of the region’s citizens to live in affordable housing.

General Comments on Infrastructure and Environmental Constraints

Another broad topic raised by a number of local jurisdictions are questions of community infrastructure and existing environmental constraints to development in the region. Several communities proposed revisions to their shares of the regional housing need because they continue to have problems overcoming water and sewer capacity limitations.

ABAG staff has always—as part of the process of developing the projections forecasts—tried to account for assumed capacity to serve future development. This is true not only for residential growth, but for new commercial and industrial activity. These assumptions are documented in the projections reports. When the housing needs determinations are made, these assumptions might have to be changed to reflect current conditions. Based on available evidence and adequate documentation, ABAG staff has proposed acceptance of revisions to the housing needs based on the current state of infrastructure limitations. In all cases, it appears that the affected local jurisdictions are making serious efforts to overcome these constraints so that additional housing could be built beyond the period (1988-95) covered by the housing needs determinations.

The projections documents also take into account environmental conditions affecting future development (e.g., agricultural land preserves, parks and natural land conditions that may limit development to relatively low densities because of geologic or other environmental hazards or conditions). These local policies are reflected—for the most part—in ABAG’s projections.

ABAG staff believes, however, that it is possible (as well as desirable) to plan for higher levels of residential development in the region, some on land now designated for commercial and industrial activity. In some cases, lands now reserved for commercial and industrial development would be unsuitable for housing. But ABAG staff believes that the region could sustain more housing production in many existing areas of the region if each local government would systematically examine this question as part of the process of updating its housing element.

General Comments on Alternative Zoning

ABAG staff specifically designed the “alternative zoning” portion of the housing needs report to examine the so-called jobs-housing imbalances and focus attention on it. It is likely that the problem of growing labor shortages in the region will cause localized labor supply in some communities to be a stimulus to economic growth. In other words, communities planning for a higher level of housing will have a labor supply needed to attract new jobs.

San Francisco is the city most affected by the alternative zoning portion of the housing needs. Comments made by the planning department staff suggested San Francisco should have a lower goal for the alternative zoning component because of its historical role in providing jobs for workers who lived in the suburbs. The historical scenario of a central city and a suburban hinterland of labor supply is no longer a reality because of public policy decisions of the past 20 years, and the decentralization of the economy. Today the region functions as a community of communities with no single job center. San Francisco and many other job centers in the Bay Area can meet their economic development objectives only by locally producing housing consistent with the economic growth planned for within the community.

The ABAG staff believes that no jurisdiction in a large, complex region can house all its workforce within the community, or indeed even the growth in its workforce. Occupational structure of the local labor force and job needs of localized economies will always create a mismatch. Therefore commuting is a way of life in the modern urban setting.

San Francisco’s planning department commented that ABAG should base its housing needs determinations on “a regional development pattern that concentrates jobs in job centers and locates housing in ways that will facilitate the development of public transit.”

The development patterns that exist in the Bay Area today reflect public policies evolving over long periods of time. They also reflect the aggregate of changing preferences for work locations and residences of hundreds of thousands of households over the past 30 years. These choices might be characterized as the product of a lack of regional leadership and farsightedness or as simply the result of how people really want to live. The ABAG staff believes that all communities planning additional employment growth (for whatever reason) have an obligation to plan for higher levels of housing (to accommodate the needed labor supply). In fact, the bulk of the alternative zoning component of the regional housing need is concentrated in existing urbanized jurisdictions served by extensive public transit—not in isolated suburban locations.

General Comments on Income Distribution

The problem of housing affordability is the most intractable housing problem facing the region. Housing values have grown at much faster rates than incomes. Because housing production remains low, existing lower income residents of the region are more adversely affected than in more normal markets. California law requires local governments to do what they can to meet the housing needs of all economic segments of the community. The word “community” in a large urban region means more than the corporate limits of an individual jurisdiction.

There is no question that the national and state governments have devoted fewer and fewer resources to assist in meeting the housing needs of lower income residents. Without Federal and State subsidies, it will of course be difficult to meet the housing needs by income category.

As previously stated, the distribution of housing needs by income category must “seek to avoid” further impaction of communities with higher concentrations of lower income households. Many communities—particularly those in outlying portions of the region—believe they are already providing more than their “fair share” of lower income housing because existing households in these communities have lower median incomes than those for the entire region.

These communities believe that more affluent communities should be doing more to promote housing affordability for lower income households. Some have proposed revisions—and ABAG staff has proposed acceptance of some of these revisions—in order to actually reduce impaction. ABAG staff agrees that reducing impaction in the region can only occur if communities that are not currently impacted take more aggressive actions to promote housing opportunities for existing lower income households in the region. At the same time, we recognize the desires of impacted communities to alter their character to be more reflective of the regional distribution of households by income category.

ABAG staff recommends acceptance of some of these revisions, with the cautionary note that these cities should carefully monitor the effects on housing prices and rents because existing lower income households within the community are likely to be most adversely affected (and in some cases displaced) by rising housing values and rents in the community brought about by rapid changes in the mix of housing values. The Bay Area is the most affluent multi-county region in California. By definition, however, more than 20% of the region’s existing households have very low incomes (less than 50% of the regional median income).

The original housing needs determination, as proposed in the September report, provided for a distribution of the 288,000 housing units as follows:

- 22 % very low income
- 16 % low income
- 21 % moderate
- 41 % above moderate

As proposed for Executive Board final action, the regional housing need of 284,000 housing units would be distributed as follows:

- 21 % very low income
- 16 % low income
- 22 % moderate
- 41 % above moderate

It is also important to reiterate that these revisions do not forecast a reduced number of households (including lower income households) for the region. They suggest a slightly lower number of housing units than originally determined (a reduction of 1.5% in the overall number). If the 284,000 housing units are built in the region, housing affordability should be improved over current conditions.

General Comments about Specific Changes

In some cases in the table to follow, ABAG staff has proposed to reject a community's revision to its share of the regional housing need, based on available data and accepted planning methods, as required by law.

In other cases, ABAG staff has proposed to reject a community's revision, but propose that the Executive Board take an action that would give the community in question a number (always slightly lower) than the original determination. ABAG staff proposes this to respond to specific questions about data adequacy, or additional information not available during the period when the initial report was being prepared. ABAG staff has discussed the appropriateness of these actions with HCD, and believe the Department would not find them objectionable.

Finally, ABAG staff proposes to accept specified community revisions based on available data and accepted planning methods.

ABAG staff believes that the actions recommended for approval by the Executive Board as follows are consistent with the intent of the housing element law, based on available data and accepted planning methods, and in all cases are technically and legally defensible.

JURISDICTION AND COMMENTS/REVISIONS

Alameda County: ABAG staff conferred with County staff. Board of Supervisors adopted resolution on December 20, 1988, accepting ABAG determination.

Alameda: ABAG staff conferred with City staff. Resolution proposes revisions based on changes in owner-renter split since 1980 Census and a decrease in vacancy rate from 5.89% to the region's vacancy rate of 4.5%. Reduces total projected need by 468 housing units to 2,386 housing units. Revised projected need distributed by income category.

Albany: No revision submitted.

Berkeley: ABAG staff conferred with City staff. Resolution proposes reducing Berkeley's share of regional need from 2,030 housing units to 1,714. Reduction based on 400 fewer jobs than ABAG predicted in Census Tract 4240 (South Berkeley). This reduces Berkeley job growth to 3,380. Another 1,282 jobs will be filled by Berkeley residents under ABAG assumptions and First Source hiring program. 1,714 is 826 (new alternative zoning number) plus 888 (ABAG

ACTION RECOMMENDED BY ABAG STAFF

No action necessary.

Accept revision. ABAG staff reviewed with city staff development potential of city, as contemplated in ABAG projections. Housing production in recent years has changed 1980 proportions of renter and owner housing in city. This suggests that a calculated optimal vacancy rate of greater than 4.5%—the regional goal—should not be used. Although the actual calculations result in a slightly lower vacancy rate goal, the city proposes that the regional rate be used for planning purposes. City still subject to alternative zoning. ABAG staff also will advise the city that certain units in their income categories for military housing on land not originally estimated by ABAG staff as available for development can be counted towards the units assigned by the distribution of housing need by income category, as proposed for revision by the city. ABAG's methodology, which includes county percentages of income as part of the calculation contains a slight bias toward the lower income categories because Alameda County has a large number of lower income households compared with other counties in the region. In consultation with ABAG staff, Alameda proposes a slight modification, and ABAG staff recommends acceptance. See HCD Comments on Housing Needs Determinations Report.

No action necessary.

Accept revision. It appears that ABAG projections overestimated job potential in Berkeley, even with consideration of the relocation of the University of California Systemwide offices to Oakland. The evidence that the First Source Hiring Program will keep up its initial success rate of employing Berkeley residents is strong. Data and methodologies are acceptable.

determination of units needed to accommodate growth in households).

Dublin: ABAG staff conferred with City staff. Resolution proposes doubling alternative zoning need for all affected jurisdictions in Alameda County. Dublin, however, is not an affected jurisdiction. New total projected need is subject to the same distribution by income category as the original determination.

Emeryville: ABAG staff conferred with City staff; no revision submitted.

Fremont: No revision submitted.

Hayward: ABAG staff conferred with City staff; no revision submitted.

Livermore: Letter received that generally finds no disputes with ABAG's determinations but expresses concern over ABAG methodology and base data.

Newark: ABAG staff conferred with City staff. Resolution proposes revising determination downward to 931 housing units. This revision is reached by adding the 1983 ABAG determination for 1980-90 to the 1988 ABAG determination for 1990-95 and the 1988 alternative zoning need projection, and then subtracting the number corresponding to housing production between 1980 and 1988.

Oakland: No revision submitted.

Piedmont: ABAG staff conferred with City staff; no revision submitted.

Pleasanton: No revision submitted.

San Leandro: ABAG staff conferred with City staff; no revision submitted.

Union City: ABAG staff conferred with City staff. Resolution proposes revision to alter income distribution. Union City proposes averaging the region's distribution (around regional median) with the City's distribution (around regional median).

Do not accept revision. State law does not appear to permit ABAG's acceptance of revisions made by one jurisdiction for other jurisdictions' shares of the regional housing need.

No action necessary.

No action necessary.

No action necessary.

See General Comments on Production Levels, Goals and Housing Needs. No action necessary.

Do not accept revision. However, based on additional discussions with city staff, ABAG staff suggests that the 1995 employment levels for the city may be too high. It is estimated that 20,900 will be the job level, and this would reduce the alternative zoning component of the housing need from 1,019 to 608. It is recommended that the Executive Board adopt a final determination of 1,445 as the city's projected housing need.

No action necessary.

No action necessary.

No action necessary.

No action necessary.

Do not accept specific revisions because of errors in calculations. Union City has provided a significant amount of more affordable housing for the past several years. The original income distribution would penalize this growth by requiring Union City to provide even more lower income housing because Alameda County has a large number of lower

income households compared with other counties in the region. Union City's revision would distribute the projected need such that a smaller proportion of the need would be lower income housing and a greater proportion would be above moderate-income housing. Therefore, ABAG staff recommends that the Executive Board adopt a final distribution of Union City's housing determination of 19% for very low-income households, 15% for low-income households, 23% for moderate-income households and 43% for above moderate-income households.

Contra Costa County: No revision submitted.

No action necessary.

Antioch: ABAG staff conferred with City staff. Letter received that generally accepts ABAG determinations but requests that ABAG reconsider the income distribution of the total projected need because of recent rapid growth in Antioch's above moderate-income population. Construction of new homes for above moderate-income households would relocate current Antioch residents, leaving older stock available to lower income households.

Because no specific revision was proposed, no action is necessary. See General Comments on Income Distribution.

Brentwood: No revision submitted.

No action necessary.

Clayton: No revision submitted.

No action necessary.

Concord: No revision submitted.

No action necessary.

Danville: No revision submitted.

No action necessary.

El Cerrito: No revision submitted.

No action necessary.

Hercules: Letter received stating "the Council acted to acknowledge receipt of the Determinations and not to propose a change to them."

No action necessary.

Lafayette: Resolution approves the 333 housing unit determination but acknowledges that this level of production will be high. Lafayette Housing Element illustrates the specific difficulties which may arise in meeting this need.

See General Comments on Infrastructure and Environmental Constraints. No action necessary.

Martinez: ABAG staff conferred with City staff; no revision submitted.

No action necessary.

Moraga: No revision submitted.	No action necessary.
Orinda: ABAG staff conferred with City staff and Council; no revision submitted.	No action necessary.
Pinole: No revision submitted.	No action necessary.
Pittsburg: No revision submitted.	No action necessary.
Pleasant Hill: No revision submitted.	No action necessary.
Richmond: Resolution accepts total projected need but proposes a revision of the distribution of that need by income category so that by 1995 Richmond's distribution of housing stock by income category will more closely resemble that of the region. 35.3% of the 1995 stock would be above moderate-income housing, 24.7% would be moderate-income housing, 15.1% would be low- income housing, and 24.9% would be very low-income housing.	Accept revision. Richmond's methodology distributes the projected housing need by income category in such a way that by the end of the projection period, the distribution of the housing stock in Richmond will more closely resemble that of the region. Revisions are based on acceptable planning methodology and data.
San Pablo: No revision submitted.	No action necessary.
San Ramon: ABAG staff conferred with City staff; no revision submitted.	No action necessary.
Walnut Creek: ABAG staff conferred with City staff; no revision submitted.	No action necessary.
Marin County: ABAG staff conferred with County staff. Resolution proposes County accept responsibility for those housing units assigned to San Rafael's sphere of influence. Resolution revises County need upward from 246 to 826, of which 147 are 1988-90 projected need, and 641 are 1990-95 projected need, and 38 are alternative zoning projected need.	Accept revision. Upon further conference with staff from the County and the City of San Rafael, there was sufficient data to conclude that San Rafael's sphere of influence is not likely to be annexed to the City prior to the end of the projection period. The County is the governing body responsible for issuing permission for housing development in this area.
Belvedere: ABAG staff conferred with City staff; no revision submitted.	No action necessary.
Corte Madera: No revision submitted.	No action necessary.
Fairfax: No revision submitted.	No action necessary.

Larkspur: ABAG staff conferred with City staff. Letter received stating the following reasons why Larkspur cannot meet ABAG's determination of its share of the region's need:

- * remaining undeveloped land is difficult to develop due to geotechnical and slope problems;
- * infrastructure/traffic congestion;
- * water shortages;
- * fire hazards; and
- * environmental conditions making land expensive to purchase and develop.

Mill Valley: ABAG staff conferred with City staff; no revision submitted.

Novato: ABAG staff conferred with City staff. Resolution proposes revising total projected need to 3,504 by eliminating alternative zoning need. Novato believes alternative zoning methodology should not assign housing need to a community until a jobs/employed residents imbalance exists.

Ross: ABAG staff conferred with City consultant; no revision submitted.

San Anselmo: No revision submitted.

San Rafael: ABAG staff conferred with City staff. Resolution proposes revisions of alternative zoning need from 334 to 194 due to lower short-term employment projections than previously estimated; 38 of these housing units are reassigned to the County. Additionally, 142 housing units from San Rafael's 1988-90 sphere of influence determination are reassigned to the County and 400 housing units from San Rafael's 1990-95 sphere of influence determination are reassigned to the County based on probable non-annexation to City.

See General Comments on Infrastructure and Environmental Constraints. No action necessary.

No action necessary.

Do not accept revision. The methodology used to determine the alternative zoning projected housing need considers existing imbalances in which employed local labor supply presently exceed jobs in the local community. The methodology specifically reduces the alternative zoning need estimate based upon this condition. Staff does not accept Novato's position that cities should not be assigned alternative zoning housing until after the community job level exceeds the local labor supply. Such a policy perpetuates the existing localized transportation and land-use problems found throughout the Bay Area. Therefore, ABAG staff believes Novato's revision is not based on acceptable data and cannot be accepted.

No action necessary.

No action necessary.

Accept revision. See Recommended Action — Marin County for explanation.

Sausalito: ABAG staff conferred with City staff. Resolution noting that “the City reserves the right to apportion the needs between the City and unincorporated portion in a manner that furthers the City’s policy objectives.”	See General Comments on Spheres of Influence. No action necessary.
Tiburon: ABAG staff conferred with City staff and consultants; no revision submitted.	No action necessary.
Napa County: Resolution accepting ABAG’s housing need determination but recognizing the County’s ability to meet its share of the regional housing need may be constrained by such events as the incorporation of the American Canyon area, or the rate of job formation in the Airport Industrial Area.	See General Comments on Spheres of Influence. No action necessary.
Calistoga: ABAG staff conferred with City staff. Resolution proposes revising total projected need from 493 to 310. Revision based on water and sewer capacity constraints during the 1988-95 period. Revised need is subject to the same distribution by income category as the original determination.	Accept revision. Calistoga offered acceptable data that its sewer and water system would not be able to accommodate the original portion of the regional housing need assigned to Calistoga by the year 1995. <u>Projections 87</u> assumed these infrastructure constraints would be mitigated by 1995. ABAG staff recognizes that the City is proceeding to correct these constraints.
Napa: ABAG staff conferred with City staff. City council accepted ABAG determination.	No action necessary.
St. Helena: ABAG staff conferred with City staff. Letter received proposing revision to total projected need from 900 to 632 based on water supply constraints during the 1988-95 period. City proposes to concentrate on affordability issues <u>instead</u> of actual number of units by regulating number of permits to be issued and requiring contractual guarantees for affordable units.	Accept revision. St. Helena offered acceptable data that its water supply would not be sufficient to accommodate the original portion of the regional housing need assigned to St. Helena by the year 1995. <u>Projections 87</u> assumed these infrastructure constraints would be mitigated by 1995. ABAG staff recognizes that the City is proceeding to correct these constraints.
Yountville: Letter requesting the final report include a statement to the effect that “meeting low and very low-income housing needs is almost totally dependent upon the availability of Federal and State funds.”	See General comments on Income Distribution. No action necessary.

San Francisco: ABAG staff conferred with City staff. Letter acknowledging ABAG determinations as a framework for further discussion and research. Specifically, the Planning Commission is concerned about San Francisco's ability to 1) achieve an annual production level of 3,500 units, 2) achieve a vacancy rate in excess of the one proposed for the region, and 3) address the mobility preferences of commuters. Staff also received copy of Planning Department's report to Planning Commission covering same points in greater detail.

Although San Francisco proposed no revision to the ABAG determination, ABAG staff presents the following responses to comments made by the Planning Department staff to the City's Planning Commission. They suggest that a lower vacancy rate than the one calculated by ABAG staff would reduce the need by approximately 3,800 units. This is posed not as a result of calculations of change in housing stock (as was the case in Alameda) but simply by arguing that the city should not have a higher vacancy rate than the regional vacancy goal of 4.5%. ABAG's calculations measure the needed vacancy rate based on the growth in households and housing, the rise in income, the cost of housing, and the mix of housing in a community. ABAG's methodology was designed to meet the requirements of State law with respect to how to allocate housing need among communities in the region. These calculations show a vacancy rate for San Francisco of 5%. San Francisco's staff believe it "unrealistic" to have a vacancy rate for the city higher than the regional goal. San Francisco is a desirable place in which to live and work. This is reflected in the rapid rise in the cost of housing in the city. ABAG staff agrees that over the long run a higher vacancy rate than the region's would create unhealthy housing market conditions in San Francisco. If San Francisco makes housing the top public policy priority and is able to accommodate substantially greater production of housing units, the "optimal vacancy rate" is likely to fall to the regional average or below when ABAG next produces its housing needs determinations.

Approaches available:

- o One possible way the City could meet its existing need is by identifying, upgrading and legalizing second-units (which provide legitimate housing for San Francisco residents). These could be added to the housing stock inventory and counted towards meeting the city's identified needs. ABAG staff estimates that a minimum of 3,000 units could be identified and legalized in this process.

- o ABAG staff believes that—from land-use information gathered from the city—San Francisco should vigorously pursue a policy to identify and shift existing underutilized

commercial and industrial lands to residential or mixed use. Our estimates indicate that land reserved for economic growth far exceeds the expected job growth. This would allow San Francisco to substantially increase its housing stock without adversely affecting existing neighborhoods.

ABAG's original determination incorrectly distributed San Francisco's housing need by income category because of the fact that San Francisco is both a city and a county. Therefore, ABAG staff recommends that the Executive Board adopt a distribution of San Francisco's determination of 24% for households with very low-income, 16% for households with low-income, 20% for households with moderate-income and 40% for households with above moderate-income.

San Mateo County: ABAG staff conferred with County staff; no revision submitted.

No action necessary.

Atherton: No revision submitted.

No action necessary.

Belmont: No revision submitted.

No action necessary.

Brisbane: ABAG staff conferred with City staff. Letter requesting revision downward because of constraints on development approval due to flight patterns from San Francisco Airport, problems with infrastructure and toxic land, and the existence of an endangered species of butterfly.

Adopt a final determination of Brisbane's share of the regional housing need of 700 housing units. This revision is based on review with City staff of ABAG's estimate of the City's development potential last updated in 1982.

Burlingame: No revision submitted.

No action necessary.

Colma: No revision submitted.

No action necessary.

Daly City: No revision submitted.

No action necessary.

East Palo Alto: No revision submitted.

No action necessary.

Foster City: ABAG staff conferred with City staff; no revision submitted.

No action necessary.

Half Moon Bay: No revision submitted.

No action necessary.

Hillsborough: No revision submitted.

No action necessary.

Menlo Park: No revision submitted.

No action necessary.

Millbrae: No revision submitted.	No action necessary.
Pacifica: ABAG staff conferred with City staff; no revision submitted.	No action necessary.
Portola Valley: No revision submitted.	No action necessary.
Redwood City: No revision submitted.	No action necessary.
San Bruno: No revision submitted.	No action necessary.
San Carlos: No revision submitted.	No action necessary.
San Mateo: ABAG staff conferred with City staff. Resolution proposes revising total projected need downward by reducing the existing need and the 1988-90 projected need numbers from 1,350 to 975, and reducing the 1990-95 projected need from 980 to 978. There is no proposed revision to the alternative zoning projected need. The proposed revision is based on corrections to Department of Finance data about the number of housing units constructed between 1980 and January 1, 1988.	Accept revision. Corrected Department of Finance data provides adequate information to alter the existing housing need. A decrease in the existing need necessarily lowers the total projected need because the projected need for 1988-90 is the existing need <u>plus</u> the number of housing units necessary to accommodate the expected growth in the number of households.
South San Francisco: No revision submitted.	No action necessary.
Woodside: ABAG staff conferred with City staff; no revision submitted.	No action necessary.
Santa Clara County: No revision submitted.	No action necessary.
Campbell: No revision submitted.	No action necessary.
Cupertino: No revision submitted.	No action necessary.
Gilroy: Letter dated December 28, 1988, expressing the Council's concern about the housing need determinations. Specifically, the letter mentioned concerns regarding Gilroy's sewer capacity and the City's sphere of influence. The Gilroy/Morgan Hill sewer plant is now at capacity. Gilroy has stopped "granting additional sewer hookups for new projects" until additional capacity becomes available in 1992 pending completion of environmental documents for proposed plant expansion.	See General Comments on Infrastructure and Environmental Constraints. No action necessary. ABAG staff will incorporate latest available information in <u>Projections 89</u> .

Los Altos: ABAG staff conferred with City staff. Resolution proposes revising total projected need by income category. Instead of equally weighting the City, County, and region proportions of each income category, Los Altos weights the City proportion by a factor of 70%, the County by a factor of 20% and the region by a factor of 10%. Los Altos believes this more accurately reflects fair market land and improvement values for the Los Altos area.

Los Altos Hills: No revision submitted.

Los Gatos: Letter dated December 28, 1988, informing ABAG staff that the "Council indicated that it is impractical and unrealistic to establish a goal that cannot be attained." No revision was proposed. Los Gatos is concerned that cities with "jobs/housing balances" not be required to "satisfy the housing demand that another City has created or will create as a result of an overzealous desire for revenue generating development." Additionally, the letter comments on the difficulties of producing lower-income units when the cost of land is approaching \$1,000,000 per acre and federal subsidy programs have expired. Finally, the letter notes that Los Gatos has adopted programs which require projects of nine or more units to construct moderate price housing units.

Milpitas: ABAG staff conferred with City staff. Resolution proposes revising ABAG determination of alternative zoning need to 1,929. Revision based on contention that ABAG's projected 1995 employment level is too high, the historical period which determines "bedroom community" is too short, and recognition of a current jobs/housing imbalance. Additionally, Milpitas believes the use of 1980 income distributions for growing cities over-estimates the number of actual lower income households and suggests ABAG propose a new income distribution.

Monte Sereno: No revision submitted.

Do not accept revision. The methodology used by Los Altos to revise the distribution of its share of the regional housing need by income category compounds the effect of the high land values on the housing stock. Therefore, the revised distribution is not consistent with the intent of state law. State law defines a locality's share of the regional housing needs to include "that share of the housing need of persons at all income levels within the area significantly affected by a jurisdiction's general plan." Moreover, it would continue to impose the burden of providing lower income housing on other cities in the region. See General Comments on Income Distribution.

No action necessary.

See General Comments on Production Levels, Goals and Housing Needs. No action necessary.

Accept revision. The employment projections used to make the original determination of Milpitas' share of the regional housing need appears to overestimate employment levels for Milpitas for 1995. Upon further consideration of the expected job growth in Milpitas over the next eight years, the City's revision is acceptable.

No action necessary.

Morgan Hill: ABAG staff conferred with City staff. Resolution proposes revision based on waste water treatment plant capacity, projected growth rates, and employment projections during the 1988-95 period. Revision proposes to reduce ABAG's determination of 2,426 housing units to 2,061 housing units.

Mountain View: No revision submitted.

Palo Alto: No revision submitted.

San Jose: Letter accepting ABAG determination and offering information about housing which San Jose has constructed recently in comparison to other parts of the region. San Jose especially concerned that other cities in Santa Clara County and elsewhere in the region not to expect San Jose to continue to provide housing for workers commuting to jobs in other cities.

Santa Clara: ABAG staff conferred with City staff. Letter accepting ABAG's determination and pledging to "make a good faith effort to accomplish this goal given adequate financial resources and available sites."

Saratoga: Resolution proposes revising total need downward to 478 housing units. The 551-unit reduction is based on the following constraints:

- * 134 units designated for agricultural use by Williamson Act;
- * 170 units already slated for development; and
- * 247 units constrained by environmental conditions such as hillside land, erosion, drainage, etc. City staff also claim ABAG determination requires the average number of permits issued between 1988-95 to double from the 1984-87 average.

Accept revision. The original determination of Morgan Hill's share of the regional housing need was based on assumptions about the City's infrastructure expansion and job growth that is not occurring at the rate ABAG projected. Therefore, the revision proposed by the City is acceptable.

No action necessary.

No action necessary.

See General Comments on Production Levels, Goals and Housing Needs. No action necessary.

See General Comments on Production Levels, Goals and Housing Needs. No action necessary.

Do not accept revision. However, upon further consideration of the potential for residential development and conference with City staff, ABAG staff recommends the Executive Board adopt a final determination of 835 units as Saratoga's total projected need for 1988-95. ABAG's land-use database recognized a potential of 1,329 units as of 1980. Since 494 units have already been constructed, 835 is the remaining potential under current conditions in the city; 170 of these are either currently under permit or are expected to be added to the housing stock within a short time. ABAG staff recommend that the city undertake a comprehensive analysis of which of those lands currently under Williamson Act contract could be used to expand the residential land supply in the city, especially in view of the constraints to residential development posed by hillside lands within the city. This should be done as part of the city's housing element update.

Sunnyvale: No revision submitted.

No action necessary.

Solano County: ABAG staff conferred with County staff; no revision submitted.

No action necessary.

Benicia: No revision submitted.

No action necessary.

Dixon: No revision submitted.

No action necessary.

Fairfield: ABAG staff conferred with City staff. Resolution proposing revision based on distribution of projected need by income category because Fairfield has a larger supply of lower-income housing than Solano County or the region. Proposed revision distributes housing need as follows: 8.0% very low-income housing, 18.9% low-income housing, 29.9% moderate-income housing, and 43.2% above moderate-income housing. New construction distributed this way added to the existing stock result in a 1995 distribution of 20.3% very low-income housing, 20.3% low-income housing, 23.9% moderate-income housing, and 35.5% above moderate-income housing within the City of Fairfield.

Accept revision. The city proposed to alter its housing stock to be more reflective of the regional distribution of income. This is consistent with the intent of the law with respect to seeking to avoid further impactation. See General Comments on Income Distribution.

Rio Vista: No revision submitted.

No action necessary.

Suisun City: ABAG staff conferred with City staff. City staff expressed concern about income distribution and requested reconsideration of its numbers based on similar issues raised by City of Fairfield. No specific revision proposed.

Because no specific revision was proposed, no action is necessary. Relative to other communities, Suisun City is not an impacted community; see General Comments on Income Distribution.

Vacaville: No revision submitted.

No action necessary.

Vallejo: ABAG staff conferred with City staff. Providing for initial determinations would require rescinding existing approval for 400 units due to income distribution. Resolution proposes revising income distribution but doesn't offer specific alterations. Subsequently city staff asked that ABAG staff work with it in determining resolution to issues raised in city letter.

Upon consideration of supporting data offered by the City, ABAG staff recommends Vallejo's share of the regional housing need be distributed as follows: 7% for households with very low-income, 5% for households with low-income, 50% for households with moderate income and 38% for households with above moderate-income. This results in a distribution of the 1995 housing stock which more closely resembles that of the region. Were such a revision not to be made, the city estimates that permits for the construction of 400 units would have to be rescinded, and virtually all remaining units (except for infill lots) would have to be constructed for lower income households. ABAG staff notes the

	aggressive actions the city has taken to substantially increase the city's housing supply (even beyond the levels of the housing needs determinations). See General Comments on Income Distribution.
Sonoma County: ABAG staff conferred with County staff. Resolution proposes revising total projected need downward 2,635 units because of disagreement with Projections 87 estimates and assumptions concerning sphere of influence development; assumptions about infrastructure; and job growth, especially in comparison to Marin County.	Do not accept revision. Upon further consideration of the <u>Projections 87</u> estimates for Sonoma County, ABAG staff concludes that the original determination of the County's share of the regional housing need should not be altered. The Board of Supervisors based the revision based on the County General Plan. The plan makes certain assumptions about growth that are not consistent with existing trends in job growth and housing construction. Current trends indicate that ABAG's estimates contained in <u>Projections 87</u> are more likely to occur; especially in cities over which the county general plan is of little legal effect.
Cloverdale: No revision submitted.	No action necessary.
Cotati: No revision submitted.	No action necessary.
Healdsburg: No revision submitted.	No action necessary.
Petaluma: City Council expressed disagreement with numbers; no revision submitted.	No action necessary.
Rohnert Park: No revision submitted.	No action necessary.
Santa Rosa: ABAG staff conferred with City staff; no revision submitted.	No action necessary.
Sebastopol: ABAG staff conferred with City staff. Letter received commenting that ABAG determination may not reflect "our actual experienced growth rate." A revision downward is suggested but no specific revision proposed.	See General Comments on Production Levels, Goals and Housing Need. No action necessary.
Sonoma: No revision submitted.	No action necessary.

San Francisco Bay Area Housing Needs Determinations

Acknowledgments

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